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, 2003

Commission File Number 1-6926

# C. R. BARD, INC.

(Exact name of registrant as specified in its charter)

| New Jersey | 22-1454160 |
| --- | --- |
| (State of incorporation) | (I.R.S. Employer Identification No.) |

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

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 X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No

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

| Class | Outstanding at April 28, 2003 |
| --- | --- |
| Common Stock - $.25 par value | 52,045,665 |

**C. R. BARD, INC. AND SUBSIDIARIES**
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**C. R. BARD, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(dollars in thousands, other than par values)**

| | March 31, 2003 | December 31, 2002 |
|---|---|---|
| ASSETS | (unaudited) | |
| Current assets: | | |
| Cash and short-term investments | $409,600 | $383,200 |
| Accounts receivable, net | 198,200 | 183,400 |
| Inventories | 154,300 | 147,100 |
| Other current assets | 47,000 | 44,300 |
| Total current assets | 809,100 | 758,000 |
| Net property, plant and equipment | 177,500 | 168,000 |
| Intangible assets, net of amortization | 68,500 | 65,200 |
| Goodwill | 328,200 | 316,100 |
| Other assets | 107,100 | 109,400 |
| | $1,490,400 | $1,416,700 |
| LIABILITIES AND SHAREHOLDERS' INVESTMENT | | |
| Current liabilities: | | |
| Short-term borrowings and current maturities of long-term debt | $1,000 | $900 |
| Accounts payable | 50,200 | 46,900 |
| Accrued expenses | 174,100 | 180,700 |
| Federal and foreign income taxes | 99,900 | 88,400 |
| Total current liabilities | 325,200 | 316,900 |
| Long-term debt | 152,000 | 152,200 |
| Other long-term liabilities | 67,200 | 67,200 |
| Shareholders' investment: | | |
| Preferred stock, $1 par value, authorized 5,000,000 shares; none issued | --- | --- |
| Common stock, $.25 par value, authorized 300,000,000 shares; issued and outstanding 51,752,194 shares at 2003 and 51,602,836 shares at 2002 | 12,900 | 12,900 |
| Capital in excess of par value | 314,300 | 286,300 |
| Retained earnings | 667,800 | 640,700 |
| Accumulated other comprehensive loss | (35,100) | (54,500) |
| Unearned compensation | (13,900) | (5,000) |
| Total shareholders' investment | 946,000 | 880,400 |
| | $1,490,400 | $1,416,700 |

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 INCOME**
**(shares and dollars in thousands except per share amounts, unaudited)**

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2003 | 2002 |
| Net sales | $335,900 | $301,900 |
| Costs and expenses: | | |
| Cost of goods sold | 146,200 | 139,500 |
| Marketing, selling and administrative expense | 104,100 | 88,300 |
| Research and development expense | 19,500 | 14,300 |
| Interest expense | 3,100 | 3,200 |
| Other (income) expense, net | (1,700) | 8,200 |
| Total costs and expenses | 271,200 | 253,500 |
| Income before tax provision | 64,700 | 48,400 |
| Income tax provision | 17,800 | 13,700 |
| Net income | $46,900 | $34,700 |
| Basic earnings per share | $0.91 | $0.66 |
| Diluted earnings per share | $0.89 | $0.65 |
| Weighted average common shares outstanding – basic | 51,700 | 52,500 |
| Weighted average common shares outstanding – diluted | 52,500 | 53,200 |

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 per share amounts, unaudited)**

| Three Months Ended March 31, 2003 | Common Stock Shares | Common Stock Amount | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Loss | Unearned Compen-sation | Total |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2002 | 51,602,836 | $12,900 | $286,300 | $640,700 | $(54,500) | $(5,000) | $880,400 |
| Net income | --- | --- | --- | 46,900 | --- | --- | 46,900 |
| Currency translation adjustments/other | --- | --- | --- | --- | 19,400 | --- | 19,400 |
| comprehensive income | | | | | | | 66,300 |
| Cash dividends ($.22 per share) | --- | --- | --- | (11,400) | --- | --- | (11,400) |
| Treasury stock retired | (150,000) | --- | --- | (8,400) | --- | --- | (8,400) |
| Employee stock plans | 299,358 | --- | 28,000 | --- | --- | (8,900) | 19,100 |
| Balance at March 31, 2003 | 51,752,194 | $12,900 | $314,300 | $667,800 | $(35,100) | $(13,900) | $946,000 |

| Three Months Ended March 31, 2002 | Common Stock Shares | Common Stock Amount | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Income | Unearned Compen-sation | Total |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2001 | 52,383,718 | $13,100 | $261,700 | $602,100 | $(76,400) | $(11,800) | $788,700 |
| Net income | --- | --- | --- | 34,700 | --- | --- | 34,700 |
| Currency translation adjustments/other | --- | --- | --- | --- | (5,900) | --- | (5,900) |
| comprehensive income | | | | | | | 28,800 |
| Cash dividends ($.21 per share) | --- | --- | --- | (11,000) | --- | --- | (11,000) |
| Treasury stock retired | --- | --- | --- | --- | --- | --- | --- |
| Employee stock plans | 214,529 | --- | 9,500 | --- | --- | 1,500 | 11,000 |
| Balance at March 31, 2002 | 52,598,247 | $13,100 | $271,200 | $625,800 | $(82,300) | $(10,300) | $817,500 |

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)**

| | For The Three Months Ended March 31, | |
|---|---|---|
| | 2003 | 2002 |
| Cash flows from operating activities: | | |
| Net income | $46,900 | $34,700 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 10,300 | 10,400 |
| Deferred income taxes | 1,700 | --- |
| Expenses under stock plan | 4,300 | 6,000 |
| Other noncash items | 4,500 | 9,800 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (9,700) | (8,500) |
| Inventories | (7,500) | 9,700 |
| Other assets | (1,800) | (1,300) |
| Current liabilities | 15,100 | (9,800) |
| Other long-term liabilities | (900) | (4,700) |
| Net cash provided by operating activities | 62,900 | 46,300 |
| Cash flows from investing activities: | | |
| Capital expenditures | (14,600) | (5,200) |
| Payments made for purchases of businesses | (11,100) | --- |
| Patents and other intangibles | (3,400) | (1,800) |
| Net cash used in investing activities | (29,100) | (7,000) |
| Cash flows from financing activities: | | |
| Common stock issued for options and benefit plans | 6,500 | 5,900 |
| Purchase of common stock | (8,400) | --- |
| Dividends paid | (11,400) | (11,000) |
| Repayments of borrowings, net | (300) | (300) |
| Net cash used in financing activities | (13,600) | (5,400) |
| Effect of exchange rate changes on cash and cash equivalents | 6,900 | (2,000) |
| Increase in cash and cash equivalents during the period | 27,100 | 31,900 |
| Balance at January 1, | 373,700 | 262,300 |
| Balance at March 31, | $400,800 | $294,200 |

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 (unaudited)

The financial statements contained in this filing have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and have not been audited. However, C. R. Bard, Inc. ("Bard" or the "company") believes that it has included all adjustments to the interim financial statements, consisting only of normal recurring adjustments, that are necessary to present fairly Bard's financial condition and results of operations at the dates and for the periods presented. The results of operations for the interim periods are not necessarily indicative of results of operations for a full year. These consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements as filed by the company in its 2002 Annual Report on Form 10-K.

Consolidation - The consolidated financial statements include the accounts of the company and its majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

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

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

Revenue Recognition – The company sells its products primarily through a direct sales force. The company recognizes product revenue, net of discounts and rebates, when persuasive evidence of a sales arrangement exists, title and the risk of loss have transferred, the buyer's price is fixed or determinable, contractual obligations have been satisfied and collectibility is reasonably assured. These requirements are met and sales and related cost of sales are recognized for the majority of the company's products upon shipment. For certain products, the company maintains consigned inventory at customer locations. For consigned products, revenue is recognized at the time the company is notified that the customer has used the product. A small percentage of the company's products require installation, and in those cases, revenues and related costs are recognized when installation is complete. The company allows customers to return defective or damaged products for credit, replacement or exchange. The company records estimated sales, discounts and rebates as a reduction of net sales in the same period revenue is recognized. The company also maintains an allowance for doubtful accounts and charges actual losses when incurred to the allowance.

Research And Development – Research and development costs are expensed when incurred.

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

Stock-Based Compensation – The company maintains various stock-based employee and director compensation plans, which are described more fully in Note 9 Shareholders' Investment of the Notes to Consolidated Financial Statements as filed by the company in its 2002 Annual Report on Form 10-K. The company accounts for those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations. No stock-based employee compensation cost is reflected in net income for employee option grants, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Additionally, in accordance with APB 25 and related interpretations, the company recognizes no compensation expense for the discount associated with the 1998 Employee Stock Purchase Plan of C. R. Bard, Inc. ("ESPP"). The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of FAS No. 123 "Accounting for Stock-Based Compensation," to stock-based employee compensation.

| *(dollars in thousands except per share amounts)* | Three months ended March 31, 2003 | Three months ended March 31, 2002 |
|---|---|---|
| Net income as reported | $46,900 | $34,700 |
| Pro forma after-tax impact of options at fair value | 2,800 | 2,400 |
| Pro forma after-tax impact of ESPP discount | --- | --- |
| Pro forma net income adjusted | $44,100 | $32,300 |
| Basic earnings per share as reported | $0.91 | $0.66 |
| Diluted earnings per share as reported | $0.89 | $0.65 |
| Pro forma basic earnings per share | $0.85 | $0.62 |
| Pro forma diluted earnings per share | $0.84 | $0.61 |

The fair value of stock options is estimated on the date of grant using the Black-Scholes option-pricing model. The following table outlines the assumptions used in the Black-Scholes model.

| | Three months ended March 31, 2003 | Three months ended March 31, 2002 |
|---|---|---|
| Dividend yield | 1.6% | 1.6% |
| Risk-free interest rate | 2.73% | 4.73% |
| Expected option life in years | 4.9 | 4.1 |
| Expected volatility | 33% | 35% |

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

The per share fair value of stock options granted for the three month period ended March 31, 2003 and March 31, 2002 was $16.37 and $14.46, respectively. In general, the pro forma after-tax adjustment for options assumed a four-year life for options. There were no ESPP purchases for the three-month periods ended March 31, 2003 and March 31, 2002. All pro forma adjustments have been tax-affected at 35%. No other pro forma adjustments are required since the company records compensation expense for all other stock awards.

During the first quarter of 2003, the company initiated a salesperson incentive program. This program provides for awards of restricted stock units or the matching of deferred bonus and commissions with restricted stock units. Awards and matches are based upon salesperson performance. Awards of approximately 127,300 restricted stock units were made under this program during the first quarter of 2003. The company recorded unearned compensation expense in shareholders' investment based on the company's stock price of $58.73 at the time of grant and will recognize expense on a straight-line basis over the seven-year vesting period.

On April 16, 2003, shareholders approved the 2003 Long Term Incentive Plan of C. R. Bard, Inc. (the "2003 Plan") that replaces the company's 1993 Long Term Incentive Plan, as amended and restated, under which no further awards may be made after April 20, 2003. The total number of shares that may be issued under the 2003 Plan is 3,000,000. Awards under the 2003 Plan shall be in the form of stock options, stock appreciation rights, limited stock appreciation rights, restricted stock, unrestricted stock and other stock-based awards.

Earnings Per Share - "Basic earnings per share" represents net income divided by the weighted average shares outstanding. "Diluted earnings per share" represents net income divided by the weighted average shares outstanding adjusted for the incremental dilution of outstanding employee stock options and awards. Unless indicated otherwise, per share amounts are calculated on a diluted basis. A reconciliation of weighted average common shares outstanding to weighted average common shares outstanding assuming dilution follows:

| *(dollars and shares in thousands except per share amounts)* | For the Three Months Ended March 31, | |
|---|---|---|
| | 2003 | 2002 |
| Net income | $46,900 | $34,700 |
| Weighted average common shares outstanding | 51,700 | 52,500 |
| Incremental common shares issuable: stock options and awards | 800 | 700 |
| Weighted average common shares outstanding assuming dilution | 52,500 | 53,200 |
| Basic earnings per share | $0.91 | $0.66 |
| Diluted earnings per share | $0.89 | $0.65 |

## C. R. BARD, INC. AND SUBSIDIARIES
## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Common stock equivalents from stock options and stock awards of approximately 30,000 and 115,000 shares at March 31, 2003 and March 31, 2002, respectively, were not included in the diluted earnings per share calculation since their effect is antidilutive.

Restructuring Charges - Based upon an analysis of divisional and manufacturing operations, the company committed to and approved a restructuring plan for certain divisions and manufacturing facilities. This plan resulted in a pretax restructuring charge of $9,100,000 in the first quarter of 2002 and a pretax restructuring charge of $24,600,000 in the third quarter of 2002. These charges were recorded in other (income) expense, net and the associated reserves are recorded in accrued expenses. These restructuring charges represent the elimination of approximately 617 employee positions and the closure of three manufacturing and two administrative facilities. The following table sets forth an analysis of restructuring provisions through March 31, 2003:

| *(dollars in thousands)* | Beginning balance | Cash paid | Noncash charges | Accrual balance at 3/31/03 |
|---|---|---|---|---|
| Restructuring provisions | | | | |
| Termination benefits | $19,800 | $8,600 | --- | $11,200 |
| Property, plant and equipment impairment | 8,100 | --- | 8,100 | --- |
| Lease termination | 2,300 | 200 | --- | 2,100 |
| Idle facility costs | 3,500 | 600 | 300 | 2,600 |
| Total restructuring provisions | $33,700 | $9,400 | $8,400 | $15,900 |

Through March 31, 2003, the company has eliminated 159 positions. In accordance with EITF 94-3, the company expects the remaining cash expenditures related to workforce reductions, lease terminations and facility closing costs, to be paid out no later than one year from their accrual. The above restructuring charges are based on estimates including estimated proceeds from asset dispositions and sublease revenue.

Inventories - Inventories are stated at the lower of cost or market. For most domestic divisions, cost is determined using the last-in-first-out ("LIFO") method. For all other inventories cost is determined using the first-in-first-out ("FIFO") method. Due to changing technologies and cost containment the difference between the valuation under the LIFO method and the FIFO method is not significant. The following is a summary of inventories at March 31, 2003 and December 31, 2002:

| *(dollars in thousands)* | March 31, 2003 | December 31, 2002 |
|---|---|---|
| Finished goods | $68,600 | $68,700 |
| Work in process | 59,500 | 51,200 |
| Raw materials | 26,200 | 27,200 |
| Total | $154,300 | $147,100 |

Goodwill and Intangible Assets - The balances of goodwill and intangible assets are as follows:

| *(dollars in millions)* | March 31, 2003 | | | | |
|---|---|---|---|---|---|
| | Original Cost | Accumulated Amortization | Translation /Other | Carrying Value | Useful Life |
| Patents | $65.6 | $(29.1) | --- | $36.5 | 5-17 |
| Distribution agreements | 20.6 | (8.3) | --- | 12.5 | 5-26 |
| Licenses | 18.2 | (9.0) | (0.1) | 9.1 | 5-15 |
| Other intangibles | 26.7 | (11.7) | (4.4) | 10.6 | 3-16 |
| Subtotal intangibles | 131.1 | (58.1) | (4.5) | 68.5 | --- |
| Goodwill | 431.7 | (93.5) | (10.0) | 328.2 | --- |
| Total intangibles and goodwill | $562.8 | $(151.6) | $(14.5) | $396.7 | --- |

| *(dollars in millions)* | December 31, 2002 | | | | |
|---|---|---|---|---|---|
| | Original Cost | Accumulated Amortization | Translation /Other | Carrying Value | Useful Life |
| Patents | $65.3 | $(28.2) | $0.0 | $37.1 | 5-17 |
| Distribution agreements | 20.6 | (8.0) | 0.0 | 12.6 | 5-26 |
| Licenses | 20.2 | (9.8) | (0.1) | 10.3 | 5-15 |
| Other intangibles | 21.9 | (12.1) | (4.6) | 5.2 | 3-16 |
| Subtotal intangibles | 128.0 | (58.1) | (4.7) | 65.2 | --- |
| Goodwill | 423.6 | (93.5) | (14.0) | 316.1 | --- |
| Total intangibles and goodwill | $551.6 | $(151.6) | $(18.7) | $381.3 | --- |

Goodwill increased by $5.1 million for the acquisition of the assets of a small brachytherapy seed distributor, Prostate Services of America and $3.0 million for the payment of a contingent milestone related to a prior year's acquisition. The impact of translation increased the balance of goodwill by $4.0 million. Annual forecasted amortization expense for the years 2003 through 2008 is as follows:

| *(dollars in millions)* | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| Annual amortization expense | $12.5 | $11.9 | $8.7 | $6.6 | $5.3 | $5.1 |

Short-Term Borrowings and Long-Term Debt - The company maintains a commercial paper program and committed credit facilities that support the company's commercial paper program. The committed facilities can also be used for other corporate purposes. In 2000, the company replaced its maturing $300.0 million committed credit facility with a $200.0 million five-year committed credit facility that matures in May of 2005 and a $100.0 million 364-day committed credit facility that next matures in May of 2003. The company anticipates renewing its $100.0 million 364-day committed credit facility in the second quarter of 2003 on similar terms. These facilities carry variable market rates of interest and require annual commitment fees. There were no commercial paper borrowings at either March 31, 2003 or December 31, 2002.

In December 1996, the company issued $150.0 million of 6.70 percent notes due 2026. These notes may be redeemed at the option of the note holders on December 1, 2006, at a redemption price equal to the

principal amount. The market value of these notes approximates $157.9 million at March 31, 2003, assuming the notes are held to 2026. Cash payments on interest equal $3.1 million and $3.2 million for the three-month periods ended March 31, 2003 and March 31, 2002, respectively. Certain of the company's debt agreements contain customary representations, warranties and default provisions as well as restrictions that, among other things, require the maintenance of a minimum ratio of operating cash flow to interest expense and limit the amount of debt that the company may have outstanding. As of March 31, 2003, the company was in compliance with all such covenants.

Derivative Instruments - The company enters into readily marketable traded forward contracts and options with financial institutions to help reduce the exposure to fluctuations between certain currencies. These contracts create limited earnings volatility because gains and losses associated with exchange rate movements are generally offset by movements in the underlying hedged item. The company does not enter into these arrangements for trading or speculation purposes.

| *(dollars in thousands)* | March 31, 2003 | | December 31, 2002 | |
|---|---|---|---|---|
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| Yen forward currency agreements | $200 | $200 | $300 | $300 |
| Peso forward currency agreements | $14,000 | $14,000 | $20,000 | $20,400 |
| Euro option-based products | $29,700 | $100 | $39,600 | $600 |

A roll forward of the company's derivative financial instruments for the three-month period ended March 31, 2003 is as follows:

| *(dollars in thousands)* | Yen forward currency agreements | Peso forward currency agreements | Euro option-based products |
|---|---|---|---|
| December 31, 2002 notional amount | $300 | $20,000 | $39,600 |
| New agreements | 200 | --- | --- |
| Expired agreements | 300 | 6,000 | 9,900 |
| March 31, 2003 notional amount | $200 | $14,000 | $29,700 |

In April of 2003, the company entered into additional Euro option-based instruments for a notional amount of approximately $60,000,000. At March 31, 2003 the net fair value of option-based products and the incremental adjustment to fair market value of forward currency agreements are recorded in Other Current Assets. During the first quarter of 2003, the company reclassified from Accumulated Other Comprehensive Income a net loss of $100,000 to Other (Income) Expense, net.

Legal - The company is subject to various legal proceedings and claims, including claims of alleged personal injuries as a result of exposure to natural rubber latex gloves distributed by the company and other product liability matters, environmental matters and disputes on agreements which arise in the ordinary course of business. In addition, the company operates in an industry susceptible to significant patent legal claims. At any given time, the company generally is involved as both a plaintiff and defendant in a number of patent infringement actions. If infringement of a third party's patent were to be determined against the company, the company may be required to make significant royalty or other payments or may be subject to an injunction or other limitation on its ability to manufacture or distribute

one or more products. If a company patent were to be determined to be invalid or unenforceable, the company may be required to reduce the value of the patent on the company's balance sheet and to record a corresponding noncash charge, which could be significant in amount.

Product Warranty - The majority of the company's products are intended for single use; therefore, the company requires limited product warranty accruals. Certain of the company's products carry limited warranties that in general do not exceed one year from sale. The company accrues estimated product warranty costs at the time of sale and any additional amounts are recorded when such costs are probable and can be reasonably estimated.

| *(dollars in thousands)* | Beginning Balance 12/31/2002 | Charges to Costs and Expenses | Deductions | Ending Balance 3/31/2003 |
|---|---|---|---|---|
| Product warranty accruals | $1,700 | 500 | (300) | $1,900 |

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.

| *(dollars in thousands)* | Three Months Ended March 31, 2003 | 2002 |
|---|---|---|
| United States | $242,800 | $223,300 |
| Europe | 57,400 | 48,500 |
| Japan | 18,500 | 15,700 |
| Rest of World | 17,300 | 14,400 |
| Total | $335,900 | $301,900 |
| Income before tax provision | $64,700 | $48,400 |
| Total assets | $1,490,400 | $1,297,500 |
| Capital expenditures | $14,600 | $5,200 |
| Depreciation and amortization | $10,300 | $10,400 |

The following table represents net sales by disease state management.

| *(dollars in thousands)* | Three Months Ended March 31, 2003 | Three Months Ended March 31, 2002 |
|---|---|---|
| Net sales: | | |
| Vascular | $67,600 | $59,900 |
| Urology | 109,300 | 99,200 |
| Oncology | 77,700 | 70,900 |
| Surgery | 64,400 | 56,000 |
| Other products | 16,900 | 15,900 |
| Total net sales | $335,900 | $301,900 |

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Our Business

For 95 years, C. R. Bard, Inc. has committed its resources to creating innovative solutions to meet the needs of both health care providers and their patients. The company is a global leader in the development, manufacture and supply of products and services to the health care industry. Bard views its product portfolios on a net sales basis by disease state management categories. Disease state management is an approach that expands the focus from products and technologies to the underlying clinical condition. The company believes that disease state management positions the company as an indispensable partner to health care deliverers. Bard is committed to maintaining and developing leadership franchises within these disease states. The company evaluates profitability and associated investments on an enterprise-wide and geographic basis due to shared infrastructures.

### Net Sales

Bard reported first quarter 2003 consolidated net sales of $335.9 million; an increase of 11% over the first quarter 2002 consolidated net sales of $301.9 million.

The geographic breakdown by the location of the external customer is presented below:

| | Three months ended March 31, 2003 | Three months ended March 31, 2002 |
|---|---|---|
| United States | 72% | 74% |
| Europe | 17% | 16% |
| Japan | 6% | 5% |
| Rest of world | 5% | 5% |
| Total net sales | 100% | 100% |

**C. R. BARD, INC. AND SUBSIDIARIES**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)**

Consolidated net sales were affected by price changes that had the effect of increasing consolidated net sales by 0.4% for the quarter ended March 31, 2003 and had the effect of reducing consolidated net sales by 0.1% for the quarter ended March 31, 2002 as compared to the prior year respective quarters. Consolidated net sales were also affected by the impact of exchange rate fluctuations. Exchange rate fluctuations had the effect of increasing consolidated net sales by 3.0% for the first quarter ended March 31, 2003 and decreasing consolidated net sales by 0.8% for the first quarter ended March 31, 2002. The primary exchange rate movement that impacts net sales is the movement of the Euro compared to the United States 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.

Bard's first quarter net sales for the three months ended March 31, 2003 in the United States of $242.8 million increased 9% over the first quarter net sales for the three months ended March 31, 2002 in the United States of $223.3 million. Bard's international net sales of $93.1 million for the three months ended March 31, 2003 increased 18% over the three months ended March 31, 2002 international net sales of $78.6 million. Adjusting for exchange rate fluctuations, international net sales increased 7% on a constant currency basis for the first quarter ended March 31, 2003.

Presented below is a discussion of consolidated net sales by disease state for the first quarter ended March 31, 2003 and March 31, 2002.

**Product Group Summary of Net Sales**

| *(dollars in thousands)* | For the Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2003 | 2002 | Change | Constant Currency |
| Vascular | $67,600 | $59,900 | 13% | 6% |
| Urology | 109,300 | 99,200 | 10% | 8% |
| Oncology | 77,700 | 70,900 | 10% | 8% |
| Surgery | 64,400 | 56,000 | 15% | 13% |
| Other | 16,900 | 15,900 | 6% | 5% |
| Total net sales | $335,900 | $301,900 | 11% | 8% |

**Vascular Products** – Bard markets a wide range of products for the peripheral vascular market including interventional radiology products, electrophysiology products and graft products. Consolidated net sales of vascular products increased 13% for the quarter ended March 31, 2003, as compared to the quarter ended March 31, 2002. United States net sales of vascular products experienced 15% growth for the first quarter ended March 31, 2003 while international net sales increased 10%. The vascular group is the company's most global business, with international net sales comprising 47% of total vascular revenues.

Interventional radiology products comprised 47% of the vascular products group in the first quarter ended March 31, 2003, and net sales of these products increased 16% on a constant currency basis, an increase of 24% on a reported basis. The company saw strong performance from its PTA catheter products, which grew almost 60% on a constant currency basis, 69% on a reported basis. The company's self-expanding stent line also had notable performance, growing 27% for the first quarter on a constant currency basis, 37% on a reported basis.

Net sales of electrophysiology products declined 1% on a constant currency basis, an increase of 7% on a reported basis for the first quarter ended March 31, 2003 compared to the first quarter ended March 31, 2002. United States net sales of electrophysiology products grew 6% for the three months ended March 31, 2003, while international net sales declined 6% on a constant currency basis, and increased 8% on a reported basis, compared to the first quarter ended March 31, 2002. The company's electrophysiology business continues to recover slowly in Europe.

Graft product sales declined 2% on a constant currency basis and increased 3% on a reported basis, for the first quarter ended March 31, 2003. The company had a strong showing in the United States with 6% growth but sales performance was weak internationally.

**Urological Products** – Bard markets a wide range of products for the urological market including basic drainage products, continence products and urological specialty products. Consolidated net sales of urological products were $109.3 million, an increase of 8% on a constant currency basis, 10% on a reported basis, for the first quarter ended March 31, 2003 as compared to the first quarter ended March 31, 2002. Urological products comprised approximately one third of total revenues for the first quarter ended March 31, 2003. United States net sales represented 74% of total urological sales for the three months ended March 31, 2003 and grew 4% for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. International net sales of urological products for the three months ended March 31, 2003 increased 21% on a constant currency basis, 33% on a reported basis, compared to the three months ended March 31, 2002.

Net sales of basic drainage products increased 8% on a constant currency basis, 10% on a reported basis, for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. The sale of infection control drainage products fueled this growth. Of particular note is a building momentum of conversions to infection control products in the Japanese market.

Net sales of urological specialties, which includes Brachytheraphy products and services, grew 7% on a constant currency basis, 9% on a reported basis, for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. Net sales of brachytherapy products grew 9% on a constant currency basis, 10% on a reported basis, for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. The company believes its brachytheraphy growth is favorable to the overall brachytheraphy market. Net sales of brachytheraphy products were favorably impacted by the acquisition of the assets of a small seed distributor company, Prostate Services of America.

Net sales of continence products grew 10% on a constant currency basis, 14% on a reported basis, for the first quarter of 2003 as compared to the prior-year period, and accounted for 13% of total urology sales in the first quarter of 2003. The company's surgical incontinence product line continues to provide the momentum in this category growing 45% on a constant currency basis and on a reported basis, for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002.

**Oncological Products** – The company's oncological products include specialty access products and gastroenterological products. Consolidated net sales of oncological products increased 8% on a constant currency basis, 10% on a reported basis for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. United States net sales of oncological products increased 10% for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. International net sales were essentially flat on a constant currency basis, increased 8% on a reported basis for the three months ended march 31, 2003 as compared to the three months ended March 31, 2002.

Specialty access product sales of $56.6 million comprised 73% of the oncological product group and increased 16% on a constant currency basis, 19% on a reported basis, for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. Peripherally inserted central catheters continue to be the fastest growing products in the specialty access category, growing approximately 36% on a constant currency basis and 37% on a reported basis for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002.

Ports, dialysis catheters and the company's Dymax Site-Rite™ product line all grew over 10% on a constant currency and on a reported basis for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002.

Net sales of gastroenterological products were weak for the first quarter, declining 11% on a constant currency basis and 9% on a reported basis for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. $2.1 million of lower net sales of gastroenterological products in Europe were related to the company's withdrawal from its distribution agreement with Olympus Optical Co. (Europa) GmbH.

**Surgical Products** – Consolidated net sales of surgical specialty products increased 13% on a constant currency basis, 15% on a reported basis for the three months ended March 31, 2003 as compared to three months ended March 31, 2002. Growth was evenly balanced between the United States and international markets.

The company's hernia product offerings comprised 70% of the surgical product group revenues for the first quarter of 2003. Net sales of these products grew 24% on a constant currency basis, 27% on a reported basis for the three-month period ended March 31, 2003 as compared to the three-month period ended March 31, 2002.

**Other Products** – The other product group includes irrigation, wound drainage and certain third-party contract products. For the three months ended March 31, 2003, consolidated net sales of other products were $16.9 million, an increase of 5% on a constant currency basis and 6% on a reported basis for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002.

## Costs and Expenses

The following is a summary of costs and expenses as a percentage of net sales:

| | Three months ended March 31, 2003 | Three months ended March 31, 2002 |
|---|---|---|
| Cost of goods sold | 43.5% | 46.2% |
| Marketing, selling and administrative | 31.0% | 29.2% |
| Research and development expense | 5.8% | 4.7% |
| Interest expense | 0.9% | 1.1% |
| Other (income) expense, net | (0.5)% | 2.8% |
| Total costs and expenses | 80.7% | 84.0% |

**Cost of goods sold** - The company's cost of goods sold as a percentage of net sales for the three months ended March 31, 2003 was 43.5%, a reduction of 2.7% from the cost of goods sold percentage for the three months ended March 31, 2002 of 46.2%. This decrease was primarily due to favorable sales mix, cost improvements and foreign exchange. During fiscal 2002, the company recorded certain charges related to divisional and manufacturing realignments. The company's continuing manufacturing realignment efforts have contributed to the improved margins in the first quarter of 2003.

**Marketing, selling and administrative** – The company's marketing, selling and administrative costs as a percentage of net sales for the three months ended March 31, 2003 was 31.0%, an increase of 1.8% from the marketing, selling and administrative costs for the three month period ended March 31, 2002 of 29.2%. Approximately 1.3% of this increase was associated with executive severance for two Bard senior managers. In addition this year's marketing, selling and administrative expense includes approximately 0.25% increased expense due to ongoing studies related to sales coverage and deployment.

**Research and development expense** – Research and development expenditures of $19.5 million during the three months ended March 31, 2003 represented a 36.4% increase over research and development expenditures of $14.3 million during the three month period ended March 31, 2002. Included in first quarter 2003 research and development expenditures was a $3.0 million research milestone payment to the developer of the Conquest™ balloon catheter. Bard has initiated a phased agreement to further that technology and transfer it to Bard. In addition the company also paid $1.6 million as a further milestone payment related to Bard's implantable pump project.

**Interest expense** – Interest expense is comparable for the three-month period ended March 31, 2003 compared to the three-month period ended March 31, 2002.

### Other (income) expense, net

| *(dollars in thousands)* | For the Three Months Ended March 31, 2003 | For the Three Months Ended March 31, 2002 |
|---|---|---|
| Interest income | $(1,700) | $(1,400) |
| Foreign exchange losses (gains) | --- | (600) |
| Legal reserve reversal | --- | (5,000) |
| Divisional and manufacturing restructuring | --- | 9,100 |
| Merger termination costs | --- | 6,200 |
| Other, net | --- | (100) |
| Total other (income) expense, net | $(1,700) | $8,200 |

In addition to interest income and exchange gains and losses, first quarter 2002 other (income) expense, net includes certain charges related to the realignment of certain divisional and manufacturing operations ($9.1 million pretax) and the termination of the proposed Tyco merger ($6.2 million pretax). These charges are offset with the reversal of certain legal accruals ($5.0 million pretax).

**Taxes** – The company's tax rate for the three month period ended March 31, 2003 was 27.5%. This rate reflects the company's continued operational strategy of maximizing opportunities to manufacture in low tax environments.

### Net Income and Earnings Per Share

Bard reported first quarter 2003 consolidated net income of $46.9 million, an increase of 35.2% over the first quarter 2002 consolidated net income of $34.7 million. Bard reported first quarter 2003 diluted earnings per share of $0.89, a 36.9% increase over first quarter 2002 diluted earnings per share of $0.65. Certain items affected the comparability of results between the first quarter of 2003 and the first quarter of 2002. The following table summarizes the impact of these items on consolidated net income and diluted earnings per share.

| *(dollars in millions, except per share amounts)* | For the Three Months Ended March 31, 2003 | For the Three Months Ended March 31, 2002 | Change |
|---|---|---|---|
| Net income – as reported | $46.9 | $34.7 | 35.2% |
| Tyco termination costs | --- | 4.0 | --- |
| Divisional and manufacturing realignment | --- | 1.7 | --- |
| Corporate realignment | --- | 4.2 | --- |
| Legal reserve reversal | --- | (3.0) | --- |
| Net income – adjusted for items above | $46.9 | $41.6 | 13% |
| | | | |
| Diluted earnings per share – as reported basis | $0.89 | $0.65 | 36.9% |
| Tyco termination costs | --- | 0.08 | --- |
| Divisional and manufacturing realignment | --- | 0.03 | --- |
| Corporate realignment | --- | 0.08 | --- |
| Legal reserve reversal | --- | (0.06) | --- |
| Diluted earnings per share – adjusted for items above | $0.89 | $0.78 | 14% |

**Liquidity and Capital Resources**

Cash provided from operations continues to be the company's primary source of funds to finance operating needs, capital expenditures and dividend payments. Bard increased its cash and short-term investments to $409.6 million at March 31, 2003 from $383.2 million at December 31, 2002. Should it be necessary, the company believes it could borrow adequate funds at competitive terms and rates. This overall financial strength gives Bard sufficient financing flexibility.

The table below summarizes liquidity measures for Bard at March 31, 2003 and December 31, 2002.

| *(dollars in millions)* | March 31, 2003 | December 31, 2002 |
|---|---|---|
| Cash and short-term investments | $409.6 | $383.2 |
| Working capital | $483.9 | $441.1 |
| Current ratio | 2.49/1 | 2.39/1 |
| Net cash position | $256.6 | $230.1 |

Working capital is defined as current assets less current liabilities. Current ratio is defined as the ratio of current assets to current liabilities. Net cash position is defined as cash and short-term investments less total debt. Cash and short-term investments held in foreign currencies are denominated in currencies that have not experienced wide, short-term fluctuations in their equivalent United States dollar values.

Contractual obligations and commercial commitments - The company is obligated to make future payments under various contracts such as debt agreements, lease agreements and unconditional purchase obligations, and has certain contingent commitments such as acquisition and investment milestones. There have been no material changes to contractual cash obligations and other commercial commitments as reflected in the Management's Discussion and Analysis in the company's 2002 Annual Report on Form 10-K. Refer to Notes 5 and 6 of the Consolidated Financial Statements in the company's 2002 Annual Report on Form 10-K and Notes 2 and 7 for information on acquisition milestones and other commitments and contingencies.

Total cash outlays made for the purchase of businesses, patents, trademarks, purchase rights and other related items were approximately $14.5 million for the three months ended March 31, 2003. These cash outlays were financed primarily with cash from operations. In 2003, the company will continue a number of initiatives including implementation of an enterprise-wide software platform, construction of a consolidated domestic distribution center and construction or expansion of various manufacturing facilities.

The company's capital structure consists of equity and interest-bearing debt. The company maintains a commercial paper program and committed credit facilities that support the company's commercial paper program. The committed facilities can also be used for other corporate purposes. In 2000, the company replaced its maturing $300.0 million committed credit facility with a $200.0 million five-year committed credit facility that matures in May of 2005 and a $100.0 million 364-day committed credit facility that next matures in May of 2003. The company anticipates renewing its $100.0 million 364-day committed credit facility in the second quarter of 2003 on similar terms. These facilities carry variable market rates of interest and require annual commitment fees. There were no commercial paper borrowings at either March 31, 2003 or December 31, 2002.

Periodically, the company purchases its common stock in the open market. On December 11, 2002 the company's Board of Directors approved the purchase of up to 5.0 million shares of the company's common stock. This recent authorization follows the nearly completed buyback of 10.0 million shares authorized by the company's Board of Directors in July of 1998. The shares recently approved for repurchase, along with the remaining 512,500 shares from the 1998 authorization, will be acquired from time to time, consistent with past practice. 150,000 shares were purchased for the three-month period ended March 31, 2003. A total of 5,362,500 shares remain under the company's share purchase authorizations.

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**Management's Use of Non-GAAP measures** – The company analyzes its consolidated net sales and net sales outside the United States for the first quarter of 2003 and the first quarter of 2002 on both a reported basis and a constant currency basis. Because changes in foreign currency exchange rates have a non-operating impact on net sales, the company's management believes the exclusion of these effects results in an additional meaningful comparison of net sales between the two periods. Additionally the company compares net income and diluted earnings per share for the first quarter of 2003 and the first quarter of 2002 on a reported basis and excluding certain specifically identified items. Because of the unusual nature of these items, the company's management believes that excluding them provides additional meaningful information about the comparability of the company's results of operations between the two periods.

**Critical Accounting Policies** – The preparation of financial statements requires the company's management to make estimates and assumptions that effect 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. The SEC recently issued guidance for "critical accounting policies". The SEC defines "critical accounting policies" as 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. The following is not intended to be a comprehensive list of all of the company's accounting policies. The company's significant accounting policies are more fully described in the company's Notes to Consolidated Financial Statements as filed by the company in its 2002 Annual Report on Form 10-K. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for management's judgment in their application. The critical accounting policies described below are areas in which management's judgment in selecting an available alternative could produce a materially different result.

Revenue recognition – The company recognizes product revenue, net of discounts and rebates when persuasive evidence of a sales arrangement exists, title and risk of loss has transferred, the buyer's price is fixed or determinable, contractual obligations have been satisfied and collectibility is reasonably assured. These requirements are met and sales and related cost of sales are recognized for the majority of the company's products upon shipment. In the case of consignment inventories, revenues and associated costs are recognized upon the notification of usage by the customer. A small percentage of the company's products require installation, and in those cases revenues and related costs are recognized when installation is complete.

Inventories - Inventories are stated at the lower of cost or market. For most domestic divisions cost is determined using the last-in-first-out ("LIFO") method. For all other inventories cost is determined using the first-in-first-out ("FIFO") method. Due to changing technologies and cost containment the difference between the inventory valuation under the LIFO method and the FIFO method is not significant.

Restructuring cost estimates – As a result of business acquisitions or dispositions or as a result of organizational realignment or rationalization, the company may develop formal plans to exit certain activities, involuntarily terminate employees, terminate leases, writedown assets or close duplicative facilities. Currently, these costs and expenses are estimated in accordance with Emerging Issues Task Force No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity" ("EITF 94-3") and Staff Accounting Bulletin No. 100, "Restructuring and Impairment Charges." As additional information becomes available in future periods, the company may revise the estimated restructuring accrual based on the updated information. The company does not anticipate that material revisions will be necessary, however, if such revisions in estimates are necessary the change could have a material impact on the company's results of operations in the period of the change. FAS 146 reconsiders all of the guidance contained in EITF 94-3. This pronouncement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. FAS 146 is effective for the company as of January 1, 2003. FAS 146 will not impact the accounting for any restructuring plan approved or announced to date; however, the pronouncement will impact the accounting for any future exit or disposal activities approved on or after January 1, 2003.

Legal reserve estimates – The company is at times involved in legal actions, the outcomes of which are not within the company's complete control and may not be known for prolonged periods of time. In some cases, the claimants seek damages, as well as other relief, which, if granted, could require significant expenditures. A liability is recorded in the company's consolidated financial statements for these actions when a loss is known or considered probable and the amount can be reasonably estimated. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in the consolidated financial statements.

Tax estimates – The company operates in multiple tax jurisdictions both in the United States and internationally. Accordingly, the determination of the appropriate allocation of income to each of these jurisdictions requires the company to make estimates and assumptions. The company is subject to local tax authority audits including review and possible adjustment to revenue and expense allocations made to such local tax jurisdictions. These audits can take place over extended periods and can result in an increase to the company's tax liability for specific tax jurisdictions.

Allowance for Doubtful Accounts, Customer Rebates and Inventory Writedowns – Management makes estimates of the uncollectibility of the company's accounts receivable, amounts that are rebated to specific customers in accordance with contractual requirements and inventory adjustments to reflect inventory valuation at the lower of cost or market. In estimating the reserves necessary for the allowance for doubtful accounts, management considers historical bad debt trends, customer concentrations, customer credit worthiness and current economic trends. The company establishes an allowance for doubtful accounts for estimated amounts that are uncollectibles from customers. In estimating the allowance for customer rebates, management considers the lag time between the point of sale and the payment of the customer's rebate claim, customer specific trend analysis and contractual commitments including the stated rebate rate. The company establishes an allowance for customer rebates and reduces sales for such rebate amounts. In estimating the allowance for inventory writedowns, management considers product obsolescence, quantity on hand, future demand for the product and other market-related conditions. The company records an allowance for inventory writedowns when such conditions

cause the inventory market value to be below carrying value. The company records such adjustments to cost of sales in the period the condition exists.

It is possible that the underlying factors discussed above for the allowance for doubtful accounts, customer rebates and inventory writedowns could change. Depending on the extent and nature of the change to the underlying factors, the impact to the company's financial position and results of operations could be material in the period of change.

Pension Plans – The company sponsors pension plans covering substantially all domestic employees and certain foreign employees who meet eligibility requirements. Several statistical and other factors that attempt to anticipate future events are used in calculating the expense and liability related to the plans. These factors include assumptions about the discount rate, expected return on plan assets and rate of future compensation increases as determined by the company, within certain guidelines. In addition, the company's actuarial consultants also use subjective factors, such as withdrawal and mortality rates to estimate these factors. The actuarial assumptions used by the company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. These differences may have a significant effect on the amount of pension expense recorded by the company.

**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 may use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning in connection with discussions of future operating or financial performance. In particular, forward-looking statements may relate to prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies, such as legal proceedings, and financial results. Because actual results are affected by 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 such risks and uncertainties, but factors that could cause the actual results to differ materially from expected and historical results include, but are not limited to: health care industry consolidation resulting in customer demands for price concessions and contracts that are more complex and have longer terms; competitive factors, including competitors' attempts to gain market share through aggressive marketing programs, the development of new products or technologies by competitors and technological obsolescence; reduction in medical procedures performed in a cost-conscious environment; the lengthy approval time by the FDA or other government authorities to clear medical devices for commercial release; unanticipated product failures; 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 reimbursements for procedures using the company's medical devices; delays or denials of, or grants of low levels of, reimbursement for procedures using newly developed devices; the acquisition of key patents by competitors that would have the effect of excluding the company from new market segments; the uncertainty of whether increased research and development expenditures will result in

increased sales; unpredictability of existing and future litigation including but not limited to environmental litigation, litigation regarding product liability such as claims of alleged personal injuries as a result of exposure to natural rubber latex gloves distributed by the company as well as other product liability matters, litigation regarding intellectual property matters including claims of invalidity or unenforceability of intellectual property assets, and disputes on agreements that arise in the ordinary course of business; government actions or investigations affecting the industry in general or the company in particular; future difficulties obtaining product liability or other insurance on reasonable terms; efficacy or safety concerns with respect to marketed products, whether scientifically justified or not, that may lead to product recalls, withdrawals or declining sales; uncertainty related to tax appeals and litigation; future difficulties obtaining necessary components used in the company's products and/or price increases from the company's suppliers of critical components; economic factors that the company has no control over, including changes in inflation, foreign currency exchange rates and interest rates; other factors that the company has no control over, including earthquakes, floods, fires and explosions; risks associated with maintaining and expanding international operations; and the risk that the company may not achieve manufacturing or administrative efficiencies as a result of the company's restructuring, the integration of acquired businesses or divestitures. The company assumes no obligation to update forward-looking statements as circumstances change. You are advised, however, to consult any further disclosures the company makes on related subjects in the company's 10-K, 10-Q and 8-K reports.

## ***Item 3. Quantitative and Qualitative Disclosure About Market Risk***

Bard operates on a global basis and therefore is subject to the exposures that arise from foreign exchange rate fluctuations. The company manages these exposures using operational and economic hedges as well as derivative financial instruments. The company's foreign currency exposures may change over time as changes occur in the company's international operations. The company's objective in managing its exposures to foreign currency fluctuations is to minimize earnings and cash flow volatility associated with assets, liabilities, net investments and probable commitments denominated in foreign currencies. In order to reduce the risk of foreign currency exchange rate fluctuations, the company has hedged a substantial portion of its expected foreign currency denominated cash flow from operations. The instruments that the company uses for hedging are readily marketable, traded forward contracts and options with financial institutions. Bard's risk management policy prohibits entering into financial instruments for speculative purposes. The company expects that the changes in fair value of such contracts will have a high correlation to the price changes in the related hedged cash flow. The company does not expect that the risk of transaction gains or losses from changes in the fair value of its foreign exchange position will be material because most transactions will occur in either the functional currency or in a currency that has a high correlation to the functional currency. The principal currencies the company hedges are the Euro, the Peso and the Yen. Any gains and losses on these hedge contracts are expected to offset changes in the value of the related exposure. The company enters into hedging transactions only to the extent that foreign currency exposure exists. Monetary assets of the company held in foreign currencies have relatively short maturities and are denominated in currencies that have not experienced wide, short-term fluctuations in their equivalent United States dollar values.

In December 1996, the company issued $150.0 million of 6.70% notes due 2026. These notes may be redeemed at the option of the note holders on December 1, 2006, at a redemption price equal to the principal amount. The market value of these notes approximates $157.9 million at March 31, 2003, assuming the notes are held to 2026.

## *Item 4. Controls and Procedures*

(a) Based on their evaluations as of a date within 90 days of the filing date of this report, the company's chief executive officer and chief financial officer have concluded that the company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be disclosed by the company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.
(b) There were no significant changes in the company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluations. There were no significant deficiencies or material weaknesses, and therefore there were no corrective actions taken.

## *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 claims of alleged personal injuries as a result of exposure to natural rubber latex gloves distributed by the company and other product liability matters, environmental matters and disputes on agreements. In addition, the company operates in an industry susceptible to significant patent legal claims. At any given time, the company generally is involved as both a plaintiff and defendant in a number of patent infringement actions. If infringement of a third party's patent were to be determined against the company, the company may be required to make significant royalty or other payments or may be subject to an injunction or other limitation on its ability to manufacture or distribute one or more products. If a company patent were to be determined to be invalid or unenforceable, the company may be required to reduce the value of the patent on the company's balance sheet and to record a corresponding noncash charge, which could be significant in amount.

In May 2002, the company was served with a complaint in an action entitled Nelson N. Stone, M.D., et al. v. C. R. Bard, Inc., et al., filed in the United States District Court for the Southern District of New York. The action alleges that the company breached agreements with the plaintiffs by failing to use appropriate efforts to promote the growth of a business that the company purchased from the plaintiffs, thereby depriving the plaintiffs of additional consideration. The plaintiffs seek damages, including punitive damages, and a release from noncompetition agreements. The company believes that the claims have no merit and is defending the action vigorously.

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, commonly known as Superfund, the Resource Conservation and Recovery 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 nearly reflects the relative contributions of the parties to the site situation. 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 outcomes of these proceedings and claims will likely be disposed of over an extended period of time. In some cases, the claimants seek damages, as well as other relief, including the invalidation or rendering unenforceable of patents which, if granted, could require significant expenditures or asset writedowns. However, while it is not feasible to predict the outcome of many of these proceedings, based upon the company's experience, current information and applicable law, the company does not expect these proceedings to have a materially adverse effect on consolidated financial position or liquidity, but one or more of the proceedings could be material to the consolidated results of operations for any one period.

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

(a) The registrant held its Annual Meeting of Shareholders on April 16, 2003.

(b) Proxies for the meeting were solicited pursuant to Regulation 14; 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 two Class I Directors elected for a term of three years to serve until the 2006 Annual Meeting were as follows:

| | | |
|---|---|---|
| Marc C. Breslawsky | For | 45,061,531 |
| | Withheld | 1,657,246 |
| Herbert L. Henkel | For | 46,176,451 |
| | Withheld | 542,326 |

(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. To approve the 2003 Long Term Incentive Plan of C. R. Bard, Inc.

| | |
|---|---|
| For | 34,212,702 |
| Against | 5,168,413 |
| Abstain and Broker Nonvotes | 467,194 |

II. To ratify the appointment of KPMG LLP as independent public accountants for the year 2003.

| | |
|---|---|
| For | 44,969,074 |
| Against | 1,405,610 |
| Abstain and Broker Nonvotes | 344,093 |

***Item 6(a). Exhibits***

(a) Exhibit 3a - Registrant's Restated Certificate of Incorporation, as amended, as of April 17, 1996, filed as Exhibit 3 to the company's September 30, 1996 Form 10-Q is incorporated herein by reference.
(b) Exhibit 3b - Registrant's Bylaws amended as of October 11, 2000 filed as Exhibit 3b to the company's December 31, 2000 Form 10-K is incorporated herein by reference.
(c) Exhibit 10aa* – 1998 Employee Stock Purchase Plan, amended as of July 1, 2000
(d) Exhibit 10am* – 2003 Long Term Incentive Plan of C. R. Bard, Inc.
(e) Exhibit 10an* – Scott T. Lowry Change of Control Agreement, dated as of April 16, 2003
(f) Exhibit 12.1 – Computation of Ratio of Earnings to Fixed Charges
(g) Exhibit 99.1 – C. R. Bard, Inc. Certification of Chief Executive Officer
(h) Exhibit 99.2 – C. R. Bard, Inc. Certification of Chief Financial Officer

* - Each of these exhibits listed under the number 10 constitutes a management contract or a compensatory plan or arrangement.

***Item 6(b). Reports on Form 8-K***

On March 31, 2003, the registrant filed a current report on Form 8-K Item 5 correcting a clerical error in the Summary Compensation Table contained in the company's proxy statement for its 2003 annual meeting of shareholders.

On April 15, 2003, the registrant filed a current report on Form 8-K Item 12 to furnish its first quarter 2003 earnings release.

On April 22, 2003, the registrant filed a current report on Form 8-K Item 12 to furnish supplemental disclosures related to the company's analyst meeting of April 15, 2003.

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

***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)

Todd C. Schermerhorn /s/

Todd C. Schermerhorn

Senior Vice President and Chief Financial Officer

Charles P. Grom /s/

Charles P. Grom

Vice President and Controller

Date: May 8, 2003

C. R. BARD, INC.
CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William H. Longfield, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 8, 2003

William H. Longfield /s/
William H. Longfield

Chairman of the Board,
Chief Executive Officer

C. R. BARD, INC.
CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and have:
   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 8, 2003

Todd C. Schermerhorn /s/
Todd C. Schermerhorn

Senior Vice President and Chief Financial Officer