

BAXTER INTERNATIONAL INC.
Note to Consolidated Statements of Income
Twelve Months Ended December 31, 2005 and 2004
Description of Adjustments and Reconciliation of GAAP to Non-GAAP
(unaudited)
(in millions, except per share and percentage data)

2005 Description of adjustments and reconciliation of GAAP to Non-GAAP

As previously announced, the Company's 2005 GAAP results included certain charges related to infusion pumps, the exit of hemodialysis instrument manufacturing, early debt retirement costs, taxes on the repatriation of foreign earnings, as well as restructuring adjustments, which impacted the GAAP results as follows:

	Income before Income Taxes	Income Tax Expense	Income from Continuing Operations	Diluted EPS
GAAP	\$1,444	\$486	\$958	\$1.52
6060 infusion pump charge (A)	49	15	34	0.06
COLLEAGUE infusion pump charge (A)	77	12	65	0.10
Hemodialysis instruments charge (A)	50	17	33	0.05
Early debt retirement costs (B)	17	7	10	0.02
Tax on repatriation of foreign earnings	-	(191)	191	0.30
Restructuring adjustments (C)	(109)	(26)	(83)	(0.13)
Excluding specified items	\$1,528	\$320	\$1,208	\$1.92

- (A) Included in computing the Gross Profit line in the accompanying consolidated statement of income. Excluding these items, which totaled \$176 million, adjusted gross profit is \$4.27 billion and the adjusted gross profit % is 43.3%.
- (B) Included in Other Expense, Net line in the accompanying consolidated statement of income.
- (C) Included in Restructuring and Impairment Charges line in the accompanying consolidated statement of income.

2004 Description of adjustments and reconciliation of GAAP to Non-GAAP

As previously announced, the Company's 2004 GAAP results included certain charges related to asset valuations, hedges, restructuring and asset impairment charges, as well as tax audit adjustments, which impacted the GAAP results as follows:

	Income before Income Taxes	Income Tax Expense	Income from Continuing Operations	Diluted EPS
GAAP	\$430	\$47	\$383	\$0.62
Inventory reserves (D)	28	10	18	0.03
Loan and receivable reserves (E)	55	19	36	0.06
Excess cash flow hedges (D)	17	6	11	0.02
Restructuring charge (F)	543	149	394	0.64
Impairment charges (F)	289	44	245	0.40
Pathogen Inactivation impairment charge (G)	15	5	10	0.01
Tax audit adjustments	-	55	(55)	(0.09)
Excluding specified items	\$1,377	\$335	\$1,042	\$1.69

- (D) Included in computing the Gross Profit line in the accompanying consolidated statement of income.
- (E) Included in Marketing and Administrative Expenses line in the accompanying consolidated statement of income.
- (F) Included in Restructuring and Impairment Charges line in the accompanying consolidated statement of income.
- (G) Included in Other Expense, Net line in the accompanying consolidated statement of income.