

**BAXTER INTERNATIONAL INC.**  
**Consolidated Statements of Income**  
**Three Months Ended December 31, 2005 and 2004**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

	Three Months Ended December 31,		Change
	2005	2004	
<b><u>CONTINUING OPERATIONS:</u></b>			
NET SALES	\$2,491	\$2,601	(4%)
GROSS PROFIT	1,079	1,120	(4%)
<i>% of Sales</i>	43.3%	43.1%	0.2 pts
MARKETING AND ADMINISTRATIVE EXPENSES	520	500	4%
<i>% of Sales</i>	20.9%	19.2%	1.7 pts
RESEARCH AND DEVELOPMENT EXPENSES	134	128	5%
IMPAIRMENT CHARGES	-	289	(100%)
OPERATING INCOME	425	203	109%
<i>% of Sales</i>	17.1%	7.8%	9.3 pts
INTEREST, NET	23	33	(30%)
OTHER EXPENSE, NET	18	3	500%
INCOME BEFORE INCOME TAXES	384	167	130%
INCOME TAX EXPENSE	90	61	48%
INCOME FROM CONTINUING OPERATIONS	\$294	\$106	177%
BASIC EPS FROM CONTINUING OPERATIONS	\$0.47	\$0.17	176%
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.46	\$0.17	171%
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
Basic	624	617	
Diluted	634	620	
ADJUSTED INCOME FROM CONTINUING OPERATIONS (excluding certain items)	\$379 (1)	\$351 (1)	
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS (excluding certain items)	\$0.60 (1)	\$0.57 (1)	

(1) See page 8 for description of adjustments and reconciliation to GAAP measures.

Non-GAAP Financial Measures: The non-GAAP (generally accepted accounting principles) financial measures contained in this press release (earnings and per-share earnings, excluding certain items) adjust for factors that are unusual or nonrecurring. Unusual or nonrecurring items can be highly variable, difficult to predict, and of a size that may substantially impact the company's reported operations for a period. Management believes that non-GAAP financial measures can facilitate a fuller analysis of the company's results of operations, particularly in evaluating performance period over period. Management uses these non-GAAP financial measures internally in financial planning, to monitor business unit performance, and in evaluating management performance. Refer to the Company's filing on Form 8-K of today's date for additional information.