

**BAXTER INTERNATIONAL INC.**  
**Consolidated Statements of Income**  
**Nine Months Ended September 30, 2006 and 2005**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

	Nine Months Ended September 30,		Change
	2006	2005	
<b>NET SALES</b>	<b>\$7,615</b>	<b>\$7,358</b>	<b>3%</b>
<b>GROSS PROFIT</b>	<b>3,422</b>	<b>3,015</b>	<b>13%</b>
<i>% of Sales</i>	<b>44.9%</b>	<b>41.0%</b>	<b>3.9 pts</b>
<b>MARKETING AND ADMINISTRATIVE EXPENSES</b>	<b>1,670</b>	<b>1,511</b>	<b>11%</b>
<i>% of Sales</i>	<b>21.9%</b>	<b>20.5%</b>	<b>1.4 pts</b>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	<b>433</b>	<b>399</b>	<b>9%</b>
<b>RESTRUCTURING ADJUSTMENTS</b>	<b>-</b>	<b>(109)</b>	<b>(100%)</b>
<b>OPERATING INCOME</b>	<b>1,319</b>	<b>1,214</b>	<b>9%</b>
<i>% of Sales</i>	<b>17.3%</b>	<b>16.5%</b>	<b>0.8 pts</b>
<b>INTEREST, NET</b>	<b>33</b>	<b>95</b>	<b>(65%)</b>
<b>OTHER EXPENSE, NET</b>	<b>55</b>	<b>59</b>	<b>(7%)</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,231</b>	<b>1,060</b>	<b>16%</b>
<b>INCOME TAX EXPENSE</b>	<b>266</b>	<b>396</b>	<b>(33%)</b>
<b>NET INCOME</b>	<b>\$965</b>	<b>\$664</b>	<b>45%</b>
<b>BASIC EPS</b>	<b>\$1.49</b>	<b>\$1.07</b>	<b>39%</b>
<b>DILUTED EPS</b>	<b>\$1.47</b>	<b>\$1.06</b>	<b>39%</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
Basic	<b>650</b>	<b>621</b>	
Diluted	<b>656</b>	<b>627</b>	
<b>ADJUSTED NET INCOME (excluding certain items)</b>	<b>\$1,029 (1)</b>	<b>\$829 (1)</b>	
<b>ADJUSTED DILUTED EPS (excluding certain items)</b>	<b>\$1.57 (1)</b>	<b>\$1.32 (1)</b>	

(1) See page 10 for description of adjustments and reconciliation to GAAP measures.

Note: Effective January 1, 2006, the company adopted SFAS No. 123-R using the modified prospective method. After-tax stock-option expense for the nine months ended September 30, 2006 was \$38 million, or \$0.06 per diluted share. In accordance with the modified prospective adoption method, the company did not adjust its historical consolidated financial statements to reflect the impact of stock-option expense. Based on the pro forma application of SFAS No. 123 for the calculation of stock-option expense prior to January 1, 2006 (as previously disclosed in the company's consolidated financial statements), pro forma after-tax stock-option expense for the nine months ended September 30, 2005 was \$41 million, or \$0.07 per diluted share.

Non-GAAP Financial Measures: The non-GAAP 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.