

**BAXTER INTERNATIONAL INC.**  
**Consolidated Statements of Income**  
**Three Months Ended December 31, 2006 and 2005**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

	Three Months Ended December 31,		Change
	2006	2005	
<b><u>CONTINUING OPERATIONS:</u></b>			
<b>NET SALES</b>	\$2,763	\$2,491	11%
<b>GROSS PROFIT</b>	1,315	1,079	22%
<i>% of Sales</i>	47.6%	43.3%	4.3 pts
<b>MARKETING AND ADMINISTRATIVE EXPENSES</b>	612	520	18%
<i>% of Sales</i>	22.1%	20.9%	1.2 pts
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	181	134	35%
<b>OPERATING INCOME</b>	522	425	23%
<i>% of Sales</i>	18.9%	17.1%	1.8 pts
<b>INTEREST, NET</b>	1	23	(96%)
<b>OTHER EXPENSE, NET</b>	6	18	(67%)
<b>INCOME BEFORE INCOME TAXES</b>	515	384	34%
<b>INCOME TAX EXPENSE</b>	82	90	(9%)
<b>INCOME FROM CONTINUING OPERATIONS</b>	\$433	\$294	47%
<b>BASIC EPS FROM CONTINUING OPERATIONS</b>	\$0.66	\$0.47	40%
<b>DILUTED EPS FROM CONTINUING OPERATIONS</b>	\$0.66	\$0.46	43%
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
Basic	653	624	
Diluted	659	634	
<b>ADJUSTED INCOME FROM CONTINUING OPERATIONS (excluding certain items)</b>	\$433	\$379 (1)	
<b>ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS (excluding certain items)</b>	\$0.66	\$0.60 (1)	

(1) See page 8 for description of adjustments and reconciliation to GAAP (generally accepted accounting principles) 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 fourth quarter of 2006 was \$15 million, or \$0.02 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 in the fourth quarter of 2005 was \$15 million, or \$0.02 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.