

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

The company's GAAP results for the three months ended December 31, 2005 included certain charges related to infusion pumps, the exit of hemodialysis instrument manufacturing, early debt retirement costs, and taxes on the repatriation of foreign earnings, which impacted the GAAP results as follows:

| | Operating Income | Income Tax Expense | Income from Continuing Operations | Diluted EPS |
|---|---------------------|--------------------------|---|---------------|
| GAAP | \$425 | \$90 | \$294 | \$0.46 |
| 6060 infusion pump charge (A) | 49 | 15 | 34 | 0.06 |
| Hemodialysis instruments charge (A) | 22 | 9 | 13 | 0.02 |
| Early debt retirement costs (B) | 17 | 7 | 10 | 0.02 |
| Tax on repatriation of foreign earnings | - | (28) | 28 | 0.04 |
| Excluding specified items | \$513 | \$93 | \$379 | \$0.60 |
| Adjusted operating income percentage | 20.6% | | | |

- (A) Included in computing the Gross Profit line in the accompanying consolidated statement of income. Excluding these items, which totaled \$71 million, adjusted gross profit is \$1.15 billion and the adjusted gross profit percentage is 46.2%.
- (B) Included in the Other Expense, Net line in the accompanying consolidated statement of income.