

**BAXTER INTERNATIONAL INC.**  
**Consolidated Statements of Income**  
**Three Months Ended March 31, 2007 and 2006**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

	Three Months Ended March 31,		Change
	2007	2006	
<b>NET SALES</b>	<b>\$2,675</b>	\$2,409	11%
<b>COST OF GOODS SOLD</b>	<b>1,409</b>	1,357	4%
<b>GROSS PROFIT</b>	<b>1,266</b>	1,052	20%
<i>% of Sales</i>	<i>47.3%</i>	43.7%	<i>3.6 pts</i>
<b>MARKETING AND ADMINISTRATIVE EXPENSES</b>	<b>583</b>	526	11%
<i>% of Sales</i>	<i>21.8%</i>	21.8%	<i>0 pts</i>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	<b>159</b>	138	15%
<i>% of Sales</i>	<i>5.9%</i>	5.7%	<i>0.2 pts</i>
<b>NET INTEREST EXPENSE</b>	<b>5</b>	18	(72%)
<b>OTHER (INCOME) EXPENSE, NET (A)</b>	<b>(10)</b>	16	(163%)
<b>PRE-TAX INCOME</b>	<b>529</b>	354	49%
<b>INCOME TAX EXPENSE</b>	<b>126</b>	72	75%
<b>NET INCOME</b>	<b>\$403</b>	\$282	43%
<b>BASIC EPS</b>	<b>\$0.62</b>	\$0.44	41%
<b>DILUTED EPS</b>	<b>\$0.61</b>	\$0.43	42%
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
Basic	<b>650</b>	641	
Diluted	<b>659</b>	648	

(A) Other (Income) Expense, Net in 2007 includes income of \$23 million, reflecting a gain on the sale of the Transfusion Therapies business of \$58 million less related charges of \$35 million. The after-tax impact of these items was \$6 million of income, or \$0.01 per diluted share.