

**BAXTER INTERNATIONAL INC.**  
**Consolidated Statements of Income**  
**Nine Months Ended September 30, 2007 and 2006**  
**Description of Adjustments and Reconciliation of GAAP to Non-GAAP**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

**2007 description of adjustments and reconciliation of GAAP to Non-GAAP**

The company's GAAP results for the nine months ended September 30, 2007 included restructuring charges, primarily for costs and asset impairments associated with the consolidation of certain commercial and manufacturing operations outside of the United States, a charge related to the AWP litigation, and IPR&D charges related to the company's collaboration for the development of a next-generation home hemodialysis machine and the company's in-licensing arrangement with Halozyme Therapeutics, Inc. These charges impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income	Diluted EPS
<b>GAAP</b>	<b>\$1,520</b>	<b>\$291</b>	<b>\$1,229</b>	<b>\$1.87</b>
Restructuring charges	70	24	46	0.07
Litigation-related charge (A)	56	22	34	0.05
IPR&D charges (B)	35	6	29	0.04
<b>Excluding specified items</b>	<b>\$1,681</b>	<b>\$343</b>	<b>\$1,338</b>	<b>\$2.03</b>

(A) Included in the Marketing and Administrative Expenses line in the accompanying consolidated statement of income. Excluding this item, adjusted marketing and administrative expenses were \$1.81 billion, or 21.9% of sales.

(B) Included in the Research and Development Expenses line in the accompanying consolidated statement of income. Excluding this item, adjusted research and development expenses were \$504 million, or 6.1% of sales.

**2006 description of adjustment and reconciliation of GAAP to Non-GAAP**

The company's GAAP results for the nine months ended September 30, 2006 included a charge related to COLLEAGUE infusion pumps, which impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income	Diluted EPS
<b>GAAP</b>	<b>\$1,231</b>	<b>\$266</b>	<b>\$965</b>	<b>\$1.47</b>
COLLEAGUE infusion pump charge (C)	76	12	64	0.10
<b>Excluding specified items</b>	<b>\$1,307</b>	<b>\$278</b>	<b>\$1,029</b>	<b>\$1.57</b>

(C) Included in the Gross Profit line in the accompanying consolidated statement of income. Excluding this item, adjusted gross profit was \$3.50 billion and the adjusted gross profit percentage was 45.9%.