

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

	Three Months Ended		Change
	December 31,		
	2007	2006	
NET SALES	\$3,009	\$2,763	9%
COST OF GOODS SOLD	1,524	1,448	5%
<b>GROSS PROFIT</b>	<b>1,485</b>	<b>1,315</b>	<b>13%</b>
<i>% of Sales</i>	<b>49.4%</b>	47.6%	<i>1.8 pts</i>
MARKETING AND ADMINISTRATIVE EXPENSES	654	612	7%
<i>% of Sales</i>	<b>21.7%</b>	22.1%	<i>(0.4) pts</i>
RESEARCH AND DEVELOPMENT EXPENSES	221 <sup>1</sup>	181	22%
<i>% of Sales</i>	<b>7.3%</b>	6.6%	<i>0.7 pts</i>
NET INTEREST EXPENSE	12	1	1,100%
OTHER EXPENSE, NET	4	6	(33%)
<b>PRE-TAX INCOME</b>	<b>594</b>	<b>515</b>	<b>15%</b>
INCOME TAX EXPENSE	116	82	41%
<i>% of Pre-Tax Income</i>	<b>19.5%</b>	15.9%	<i>3.6 pts</i>
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>\$478</b>	<b>\$433</b>	<b>10%</b>
<b>BASIC EPS FROM CONTINUING OPERATIONS</b>	<b>\$0.75</b>	<b>\$0.66</b>	<b>14%</b>
<b>DILUTED EPS FROM CONTINUING OPERATIONS</b>	<b>\$0.74</b>	<b>\$0.66</b>	<b>12%</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
Basic	634	653	
Diluted	645	659	
ADJUSTED PRE-TAX INCOME (excluding certain items)	\$609 <sup>2</sup>	\$515	18%
ADJUSTED INCOME FROM CONTINUING OPERATIONS (excluding certain items)	\$488 <sup>2</sup>	\$433	13%
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS (excluding certain items)	\$0.76 <sup>2</sup>	\$0.66	15%

<sup>1</sup> Research and development (R&D) expenses in 2007 included a \$10 million in-process R&D (IPR&D) charge associated with an arrangement with Nycomed Pharma AS relating to the distribution of a product used for hemostasis and tissue sealing, and a \$5 million IPR&D charge associated with the expansion of the company's existing arrangement with Nektar Therapeutics relating to the development of longer-acting forms of blood clotting proteins. The after-tax impact of these charges was \$10 million, or \$0.02 per diluted share.

<sup>2</sup> Refer to page 10 for a description of adjustments and a reconciliation to GAAP (generally accepted accounting principles) measures.

Non-GAAP Financial Measures: The non-GAAP financial measures contained in this press release (pre-tax income, income from continuing operations 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.