

**BAXTER INTERNATIONAL INC.**  
**Consolidated Statements of Income**  
**Twelve Months Ended December 31, 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 twelve months ended December 31, 2007 included restructuring charges, a charge related to the company's AWP litigation, and IPR&D charges. These charges impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Income From Continuing Operations	Diluted EPS
<b>GAAP</b>	<b>\$2,114</b>	<b>\$407</b>	<b>\$1,707</b>	<b>\$2.61</b>
Restructuring charges	70	24	46	0.07
Litigation-related charge (A)	56	22	34	0.05
IPR&D charges (B)	50	11	39	0.06
<b>Excluding specified items</b>	<b>\$2,290</b>	<b>\$464</b>	<b>\$1,826</b>	<b>\$2.79</b>
Effective tax rate		20.3%		

(A) Included in the Marketing and Administrative Expenses line in the accompanying consolidated statement of income. Excluding this charge, adjusted marketing and administrative expenses were \$2,465, or 21.9% of sales.

(B) Included in the Research and Development Expenses line in the accompanying consolidated statement of income. Excluding these charges, adjusted research and development expenses were \$710, or 6.3% of sales.

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

The company's GAAP results for the twelve months ended December 31, 2006 included a charge related to COLLEAGUE infusion pumps. This charge impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income	Diluted EPS
<b>GAAP</b>	<b>\$1,746</b>	<b>\$348</b>	<b>\$1,398</b>	<b>\$2.13</b>
COLLEAGUE infusion pump charge (C)	76	12	64	0.10
<b>Excluding specified items</b>	<b>\$1,822</b>	<b>\$360</b>	<b>\$1,462</b>	<b>\$2.23</b>
Effective tax rate		19.8%		

(C) Included in the Cost of Goods Sold line in the accompanying consolidated statement of income. Excluding this charge, adjusted cost of goods sold was \$5,565 and the adjusted gross profit percentage was 46.4%.