

**ADJUSTED**

**BAXTER INTERNATIONAL INC.**  
**Adjusted Consolidated Statements of Income**  
**(unaudited)**  
**(in millions, except per share data)**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2005	2004	Change	2005	2004	Change
<b>CONTINUING OPERATIONS:</b>						
NET SALES	\$2,577	\$2,379	8%	\$4,960	\$4,588	8%
GROSS PROFIT	1,113	984	13%	2,082	1,877	11%
% to Sales	43.2%	41.4%	1.8 pts	42.0%	40.9%	1.1 pts
MARKETING AND ADMINISTRATIVE EXPENSES	537	477	13%	1,020	943	8%
% to Sales	20.8%	20.1%	0.7 pts	20.6%	20.6%	- pts
RESEARCH AND DEVELOPMENT EXPENSES	133	129	3%	266	265	-%
OPERATING INCOME	443	378	17%	796	669	19%
% to Sales	17.2%	15.9%	1.3 pts	16.0%	14.6%	1.4 pts
INTEREST, NET	33	25	32%	64	46	39%
OTHER EXPENSE, NET	25	27	(7%)	49	48	2%
INCOME BEFORE INCOME TAXES	385	326	18%	683	575	19%
INCOME TAX EXPENSE	76	81	(6%)	150	143	5%
INCOME FROM CONTINUING OPERATIONS	\$309	\$245	26%	\$533	\$432	23%
BASIC EPS FROM CONTINUING OPERATIONS	\$0.50	\$0.40	25%	\$0.86	\$0.70	23%
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.49	\$0.40	23%	\$0.85	\$0.70	21%
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>						
Basic	621	613		620	613	
Diluted	626	613		624	617	

**RECONCILIATION OF ADJUSTED AMOUNTS TO GAAP AMOUNTS**

<b>Net Income</b>					
Adjusted net income from continuing operations	\$309	\$245		\$533	\$432
Special charges, net	15	(414)		15	(414)
Discontinued operations	(2)	(1)		-	(12)
GAAP net income (loss)	\$322	(\$170)		\$548	\$6
<b>Diluted EPS</b>					
Adjusted net income from continuing operations	\$0.49	\$0.40		\$0.85	\$0.70
Special charges, net	0.02	(0.68)		0.03	(0.67)
Discontinued operations	-	-		-	(0.02)
GAAP net income (loss)	\$0.51	(\$0.28)		\$0.88	\$0.01

**Non-GAAP Financial Measures:** The non-GAAP (generally accepted accounting principles) financial measures contained in this press release (including the presentation above of earnings 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 performance, and in setting performance compensation targets.