

GAAP

BAXTER INTERNATIONAL INC.
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
CONTINUING OPERATIONS:						
NET SALES	\$2,577	\$2,379	8%	\$4,960	\$4,588	8%
GROSS PROFIT	1,113	939	19%	2,082	1,832	14%
% to Sales	43.2%	39.5%	3.7 pts	42.0%	39.9%	2.1 pts
MARKETING AND ADMINISTRATIVE EXPENSES	537	532	1%	1,020	998	2%
% to Sales	20.8%	22.4%	(1.6 pts)	20.6%	21.8%	(1.2 pts)
RESEARCH AND DEVELOPMENT EXPENSES	133	129	3%	266	265	-%
SPECIAL CHARGES, NET	(27)	543	NM	(27)	543	NM
OPERATING INCOME (LOSS)	470	(265)	NM	823	26	NM
% to Sales	18.2%	(11.1%)	NM	16.6%	0.6%	16.0 pts
INTEREST, NET	33	25	32%	64	46	39%
OTHER EXPENSE, NET	25	42	(40%)	49	63	(22%)
INCOME (LOSS) BEFORE INCOME TAXES	412	(332)	NM	710	(83)	NM
INCOME TAX EXPENSE (BENEFIT)	88	(163)	NM	162	(101)	NM
INCOME (LOSS) FROM CONTINUING OPERATIONS	\$324	(\$169)	NM	\$548	\$18	NM
BASIC EPS FROM CONTINUING OPERATIONS	\$0.52	(\$0.28)	NM	\$0.88	\$0.03	NM
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.51	(\$0.28)	NM	\$0.88	\$0.03	NM
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	621	613		620	613	
Diluted	626	613		624	617	

RECONCILIATION TO NET INCOME

Income (loss) from continuing operations	\$324	(\$169)	\$548	\$18
Discontinued operations	(2)	(1)	-	(12)
Net income (loss)	\$322	(\$170)	\$548	\$6

NM - Not meaningful