

**GAAP to ADJUSTED
RECONCILIATION - Year-to-**

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Reconciliation of GAAP to Adjusted
Six Months Ended June 30, 2005 and 2004
(unaudited)
(in millions, except per share data)

	Six Months Ended June 30, 2005			Six Months Ended June 30, 2004		
	GAAP	Special Items	Adjusted	GAAP	Special Items	Adjusted
CONTINUING OPERATIONS:						
NET SALES	\$4,960		\$4,960	\$4,588		\$4,588
GROSS PROFIT	2,082		2,082	1,832	\$45 (C)	1,877
MARKETING AND ADMINISTRATIVE EXPENSES	1,020		1,020	998	55 (D)	943
RESEARCH AND DEVELOPMENT EXPENSES	266		266	265		265
SPECIAL CHARGES, NET	(27)	(27) (A)	-	543	543 (E)	-
OPERATING INCOME	823	(27)	796	26	643	669
INTEREST, NET	64		64	46		46
OTHER EXPENSE, NET	49		49	63	15 (F)	48
INCOME (LOSS) BEFORE INCOME TAXES	710	(27)	683	(83)	658	575
INCOME TAX EXPENSE (BENEFIT)	162	12 (B)	150	(101)	(244) (G)	143
INCOME FROM CONTINUING OPERATIONS	\$548	(\$15)	\$533	\$18	\$414	\$432
BASIC EPS FROM CONTINUING OPERATIONS	\$0.88	(\$0.02)	\$0.86	\$0.03	\$0.67	\$0.70
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.88	(\$0.03)	\$0.85	\$0.03	\$0.67	\$0.70
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	620		620	613		613
Diluted	624		624	617		617

(A) Pump repairs and replacements	\$ 77
Restructuring reserve adjustments	(104)
Total	<u>(\$27)</u>

(B) Tax expense on special charges, net	<u>\$ 12</u>
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(C) Inventory reserves	\$ 28
Excess cash flow hedges	17
Total	<u>\$ 45</u>

(D) Loan and receivable reserves	<u>\$ 55</u>
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(E) Restructuring and asset impairment charges	<u>\$ 543</u>
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(F) Asset impairments	<u>\$ 15</u>
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(G) Tax benefit of restructuring charge	(\$149)
Reversal of tax reserves	(55)
Tax benefit of other charges	(40)
Total	<u>(\$244)</u>