

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

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2004	2003	Change	2004	2003	Change
<b>CONTINUING OPERATIONS:</b>						
NET SALES	\$2,601	\$2,531	3%	\$9,509	\$8,904	7%
GROSS PROFIT	1,120	1,135	(1%)	3,915	3,953	(1%)
% to Sales	43.1%	44.8%	(1.7 pts)	41.2%	44.4%	(3.2 pts)
MARKETING AND ADMINISTRATIVE EXPENSES	500	485	3%	1,960	1,805	9%
% to Sales	19.2%	19.2%	- pts	20.6%	20.3%	0.3 pts
RESEARCH AND DEVELOPMENT EXPENSES	128	141	(9%)	517	553	(7%)
RESTRUCTURING AND IMPAIRMENT CHARGES	289	-	- %	832	337	147%
OPERATING INCOME	203	509	(60%)	606	1,258	(52%)
% to Sales	7.8%	20.1%	(12.3 pts)	6.4%	14.1%	(7.7 pts)
INTEREST, NET	33	16	106%	99	87	14%
OTHER EXPENSE (INCOME), NET	3	(4)	N/A	77	42	83%
INCOME BEFORE INCOME TAXES	167	497	(66%)	430	1,129	(62%)
INCOME TAX EXPENSE	61	126	(52%)	47	222	(79%)
INCOME FROM CONTINUING OPERATIONS	\$106	\$371	(71%)	\$383	\$907	(58%)
BASIC EPS FROM CONTINUING OPERATIONS	\$0.17	\$0.61	(72%)	\$0.62	\$1.51	(59%)
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.17	\$0.60	(72%)	\$0.62	\$1.50	(59%)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	617	611		614	599	
Diluted	620	614		618	606	

**RECONCILIATION TO NET INCOME**

Income from continuing operations	\$106	\$371	\$383	\$907
Discontinued operations	-	(7)	5	(24)
Cumulative effect of accounting changes	-	-	-	(17)
Net income	\$106	\$364	\$388	\$866