

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

|   | Three Months Ended<br>March 31, |         | Change    |
|---|---------------------------------|---------|-----------|
|   | 2003                            | 2002    |           |
| NET SALES   | \$1,997                         | \$1,875 | 6%        |
| GROSS PROFIT  | 880                             | 880     | -         |
| % to Sales  | 44.1%                           | 46.9%   | (2.8 pts) |
| MARKETING AND ADMINISTRATIVE EXPENSES                   | 413                             | 393     | 5%        |
| % to Sales  | 20.7%                           | 21.0%   | (.3 pts)  |
| RESEARCH AND DEVELOPMENT EXPENSES                       | 136                             | 115     | 18%       |
| OPERATING INCOME  | 331                             | 372     | (11%)     |
| % to Sales  | 16.6%                           | 19.8%   | (3.2 pts) |
| INTEREST, NET   | 19                              | 16      | 19%       |
| OTHER EXPENSE   | 26                              | 12      | 117%      |
| INCOME BEFORE INCOME TAXES                              | 286                             | 344     | (17%)     |
| INCOME TAX EXPENSE                                      | 69                              | 91      | (24%)     |
| INCOME FROM CONTINUING OPERATIONS                       | \$217                           | \$253   | (14%)     |
| BASIC EPS   | \$0.36                          | \$0.42  | (14%)     |
| DILUTED EPS   | \$0.36                          | \$0.41  | (12%)     |
| WEIGHTED AVERAGE NUMBER OF COMMON<br>SHARES OUTSTANDING |                                 |         |           |
| Basic   | 598                             | 600     |           |
| Diluted   | 611                             | 622     |           |

**RECONCILIATION TO NET INCOME**

|                                   |       |       |
|-----------------------------------|-------|-------|
| <b>Net Income</b>                 |       |       |
| Income from continuing operations | \$217 | \$253 |
| Discontinued operations           | (1)   | -     |
| Net income                        | \$216 | \$253 |