

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

	Three Months Ended March 31,		Change
	2004	2003	
<u>CONTINUING OPERATIONS:</u>			
NET SALES	\$2,209	\$1,997	11%
GROSS PROFIT	894	880	2%
% to Sales	40.5%	44.1%	(3.6 pts.)
MARKETING AND ADMINISTRATIVE EXPENSES	464	413	12%
% to Sales	21.0%	20.7%	0.3 pts.
RESEARCH AND DEVELOPMENT EXPENSES	136	136	0%
OPERATING INCOME	294	331	(11%)
% to Sales	13.3%	16.6%	(3.3 pts)
INTEREST, NET	21	19	11%
OTHER EXPENSE	21	26	(19%)
INCOME BEFORE INCOME TAXES	252	286	(12%)
INCOME TAX EXPENSE	63	69	(9%)
INCOME FROM CONTINUING OPERATIONS	\$189	\$217	(13%)
BASIC EPS FROM CONTINUING OPERATIONS	\$0.31	\$0.36	(14%)
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.31	\$0.36	(14%)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	612	598	
Diluted	616	611	
<u>RECONCILIATION TO NET INCOME</u>			
Income from continuing operations	\$189	\$217	
Discontinued operations	(11)	(1)	
Net income	\$178	\$216	