

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2004	2003	Change	2004	2003	Change
CONTINUING OPERATIONS:						
NET SALES	\$2,379	\$2,163	10%	\$4,588	\$4,160	10%
GROSS PROFIT	939	973	(3%)	1,833	1,853	(1%)
% to Sales	39.5%	45.0%	(5.5 pts)	40.0%	44.5%	(4.5 pts)
MARKETING AND ADMINISTRATIVE EXPENSES	532	464	15%	996	877	14%
% to Sales	22.4%	21.5%	0.9 pts	21.7%	21.1%	0.6 pts
RESEARCH AND DEVELOPMENT EXPENSES	129	139	(7%)	265	275	(4%)
RESTRUCTURING CHARGES	543	337	61%	543	337	61%
OPERATING INCOME (LOSS)	(265)	33	(903%)	29	364	(92%)
% to Sales	(11.1%)	1.5%	(12.6 pts)	0.6%	8.8%	(8.2 pts)
INTEREST, NET	25	27	(7%)	46	46	0%
OTHER EXPENSE	42	14	200%	63	40	58%
INCOME (LOSS) BEFORE INCOME TAXES	(332)	(8)	4,050%	(80)	278	(129%)
INCOME TAX EXPENSE (BENEFIT)	(163)	(57)	186%	(100)	12	(933%)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(\$169)	\$49	(445%)	\$20	\$266	(92%)
BASIC EPS FROM CONTINUING OPERATIONS	(\$0.28)	\$0.08	(450%)	\$0.03	\$0.45	(93%)
DILUTED EPS FROM CONTINUING OPERATIONS	(\$0.28)	\$0.08	(450%)	\$0.03	\$0.44	(93%)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	613	598		613	598	
Diluted	618	613		617	611	

RECONCILIATION TO NET INCOME

Income (loss) from continuing operations	(\$169)	\$49	\$20	\$266
Discontinued operations	(1)	(11)	(12)	(12)
Net income (loss)	(\$170)	\$38	\$8	\$254

As noted in the press release, the company plans to restate its financial results back to 2001. The prior quarter and/or year-to-date results shown above do not yet reflect the restatement or the effects thereof and should be read accordingly.