

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2004	2003	Change	2004	2003	Change
CONTINUING OPERATIONS:						
NET SALES	\$2,320	\$2,216	5%	\$6,908	\$6,373	8%
GROSS PROFIT	963	969	(1%)	2,795	2,818	(1%)
% to Sales	41.5%	43.7%	(2.2 pts)	40.5%	44.2%	(3.7 pts)
MARKETING AND ADMINISTRATIVE EXPENSES	462	440	5%	1,460	1,320	11%
% to Sales	19.9%	19.9%	0 pts	21.1%	20.7%	0.4 pts
RESEARCH AND DEVELOPMENT EXPENSES	124	137	(9%)	389	412	(6%)
RESTRUCTURING CHARGES	-	-	-	543	337	61%
OPERATING INCOME	377	392	(4%)	403	749	(46%)
% to Sales	16.3%	17.7%	(1.4 pts)	5.8%	11.8%	(6.0 pts)
INTEREST, NET	20	25	(20%)	66	71	(7%)
OTHER EXPENSE, NET	11	6	83%	74	46	61%
INCOME BEFORE INCOME TAXES	346	361	(4%)	263	632	(58%)
INCOME TAX EXPENSE (BENEFIT)	87	86	1%	(14)	96	(115%)
INCOME FROM CONTINUING OPERATIONS	\$259	\$275	(6%)	\$277	\$536	(48%)
BASIC EPS FROM CONTINUING OPERATIONS	\$0.42	\$0.47	(11%)	\$0.45	\$0.90	(50%)
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.42	\$0.46	(9%)	\$0.45	\$0.89	(49%)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	615	589		613	595	
Diluted	619	592		617	604	

RECONCILIATION TO NET INCOME

Income from continuing operations	\$259	\$275	\$277	\$536
Discontinued operations	17	(5)	5	(17)
Cumulative effect of accounting changes	-	(17)	-	(17)
Net income	\$276	\$253	\$282	\$502

Note: In August 2004, the company restated its previously issued financial statements for 2001 through 2003 and the first quarter of 2004. This information reflects the restatements. Refer to the company's Form 10-K/A for the year ended December 31, 2003 and Forms 10-Q/A for the quarters ended March 31, 2004 and September 30, 2003 for further information.