

PRO FORMA

BAXTER INTERNATIONAL INC.
Pro Forma 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%)	2,840	2,818	1%
% to Sales	41.5%	43.7%	(2.2 pts)	41.1%	44.2%	(3.1 pts)
MARKETING AND ADMINISTRATIVE EXPENSES	462	440	5%	1,405	1,320	6%
% to Sales	19.9%	19.9%	0 pts	20.3%	20.7%	(0.4 pts)
RESEARCH AND DEVELOPMENT EXPENSES	124	137	(9%)	389	412	(6%)
OPERATING INCOME	377	392	(4%)	1,046	1,086	(4%)
% to Sales	16.3%	17.7%	(1.4 pts)	15.1%	17.0%	(1.9 pts)
INTEREST, NET	20	25	(20%)	66	71	(7%)
OTHER EXPENSE, NET	11	6	83%	59	46	28%
INCOME BEFORE INCOME TAXES	346	361	(4%)	921	969	(5%)
INCOME TAX EXPENSE	87	86	1%	230	231	(0%)
INCOME FROM CONTINUING OPERATIONS	\$259	\$275	(6%)	\$691	\$738	(6%)
BASIC EPS FROM CONTINUING OPERATIONS	\$0.42	\$0.47	(11%)	\$1.13	\$1.24	(9%)
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.42	\$0.46	(9%)	\$1.12	\$1.22	(8%)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	615	589		613	595	
Diluted	619	592		617	604	

RECONCILIATION OF PRO FORMA AMOUNTS TO GAAP AMOUNTS

Net Income				
Pro forma net income from continuing operations	\$259	\$275	\$691	\$738
Restructuring charges	-	-	(394)	(202)
Other charges	-	-	(20)	-
Cumulative effect of accounting changes	-	(17)	-	(17)
Discontinued operations	17	(5)	5	(17)
GAAP net income	\$276	\$253	\$282	\$502
Diluted EPS				
Pro forma net income from continuing operations	\$0.42	\$0.46	\$1.12	\$1.22
Restructuring charges	-	-	(0.64)	(0.33)
Other charges	-	-	(0.03)	-
Cumulative effect of accounting changes	-	(0.03)	-	(0.03)
Discontinued operations	0.03	(0.01)	0.01	(0.03)
GAAP net income	\$0.45	\$0.42	\$0.46	\$0.83

Non-GAAP Financial Measures: In some cases, certain unusual or non-recurring items can be so significant as to obscure patterns and trends of the company's business in total. The non-GAAP (generally accepted accounting principles) financial measures contained in this press release (including the presentation above of earnings and per-share earnings, excluding certain items) adjust for factors that are unusual or non-recurring. Therefore, management believes that these non-GAAP financial measures facilitate a fuller analysis of the company's results of operations. Management believes that the presentation of these non-GAAP financial measures provide useful information to investors regarding results of operations as these non-GAAP financial measures allow investors to better evaluate ongoing business performance. Management uses these non-GAAP financial measures internally to monitor performance.

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.