

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Three Months Ended June 30, 2011 and 2010
(unaudited)
(in millions, except per share and percentage data)

	Three Months Ended June 30,		Change
	2011	2010	
NET SALES	\$3,536	\$3,194	11%
COST OF SALES	1,701	1,556	9%
GROSS MARGIN	1,835	1,638	12%
<i>% of Net Sales</i>	<i>51.9%</i>	<i>51.3%</i>	<i>0.6 pts</i>
MARKETING AND ADMINISTRATIVE EXPENSES	765	721 ^A	6%
<i>% of Net Sales</i>	<i>21.6%</i>	<i>22.6%</i>	<i>(1.0 pt)</i>
RESEARCH AND DEVELOPMENT EXPENSES	239	219	9%
<i>% of Net Sales</i>	<i>6.8%</i>	<i>6.9%</i>	<i>(0.1 pt)</i>
NET INTEREST EXPENSE	15	25	(40%)
OTHER EXPENSE, NET	13	3	N/M
PRE-TAX INCOME	803	670	20%
INCOME TAX EXPENSE	174	133	31%
<i>% of Pre-Tax Income</i>	<i>21.7%</i>	<i>19.9%</i>	<i>1.8 pts</i>
NET INCOME	629	537	17%
LESS: NONCONTROLLING INTERESTS	14	2	N/M
NET INCOME ATTRIBUTABLE TO BAXTER	\$615	\$535	15%
BASIC EPS	\$1.08	\$0.90	20%
DILUTED EPS	\$1.07	\$0.90	19%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	570	593	
Diluted	575	596	
ADJUSTED PRE-TAX INCOME (excluding specified item)	\$803	\$698 ^B	15%
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER (excluding specified item)	\$615	\$557 ^B	10%
ADJUSTED DILUTED EPS (excluding specified item)	\$1.07	\$0.93 ^B	15%

^A Marketing and administrative expenses in 2010 included a charge of \$28 million (\$22 million, or \$0.03 per diluted share, on an after-tax basis) to write down accounts receivable in Greece, principally as a result of the anticipated settlement of certain accounts receivable with the Greek government.

^B Refer to page 8 for a description of the adjustment and a reconciliation to generally accepted accounting principles (GAAP) measures.