

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

	Six Months Ended June 30,		Change
	2011	2010	
NET SALES	\$6,820	\$6,121 ^A	11%
COST OF SALES	3,310	3,440 ^A	(4%)
GROSS MARGIN	3,510	2,681	31%
<i>% of Net Sales</i>	<i>51.5%</i>	<i>43.8%</i>	<i>7.7 pts</i>
MARKETING AND ADMINISTRATIVE EXPENSES	1,481	1,404 ^B	5%
<i>% of Net Sales</i>	<i>21.7%</i>	<i>22.9%</i>	<i>(1.2 pts)</i>
RESEARCH AND DEVELOPMENT EXPENSES	453	446	2%
<i>% of Net Sales</i>	<i>6.6%</i>	<i>7.3%</i>	<i>(0.7 pts)</i>
NET INTEREST EXPENSE	25	44	(43%)
OTHER EXPENSE, NET	17	5	N/M
PRE-TAX INCOME	1,534	782	96%
INCOME TAX EXPENSE	328	305 ^C	8%
<i>% of Pre-Tax Income</i>	<i>21.4%</i>	<i>39.0%</i>	<i>(17.6 pts)</i>
NET INCOME	1,206	477	153%
LESS: NONCONTROLLING INTERESTS	21	5	N/M
NET INCOME ATTRIBUTABLE TO BAXTER	\$1,185	\$472	151%
BASIC EPS	\$2.07	\$0.79	162%
DILUTED EPS	\$2.05	\$0.78	163%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	573	597	
Diluted	578	602	
ADJUSTED PRE-TAX INCOME (excluding specified items)	\$1,534	\$1,398 ^D	10%
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER (excluding specified items)	\$1,185	\$1,121 ^D	6%
ADJUSTED DILUTED EPS (excluding specified items)	\$2.05	\$1.86 ^D	10%

^A Net sales and cost of sales in the first quarter of 2010 included a charge totaling \$588 million, or \$0.98 per diluted share, which related to the recall of COLLEAGUE infusion pumps from the U.S. market and other actions the company is undertaking outside of the United States, for which there was no net tax benefit recognized.

^B Marketing and administrative expenses in the second quarter of 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.

^C Income tax expense in the first quarter of 2010 included a charge of \$39 million, or \$0.07 per diluted share, to write off a deferred tax asset as a result of a change in the tax treatment of reimbursements under the Medicare Part D retiree prescription drug subsidy program.

^D Refer to page 10 for a description of the adjustments and a reconciliation to GAAP measures.