

**BAXTER INTERNATIONAL INC.**  
**Notes to Consolidated Statements of Income**  
**Twelve Months Ended December 31, 2008 and 2007**  
**Description of Adjustments and Reconciliation of GAAP to Non-GAAP Measures**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

**2008 description of adjustments and reconciliation of GAAP to Non-GAAP**

The company's GAAP results for the twelve months ended December 31, 2008 included charges related to COLLEAGUE infusion pumps, an impairment charge associated with the discontinuation of the CLEARSHOT pre-filled syringe program, and IPR&D charges related to the company's in-licensing agreement with Innocoll and the acquisition of certain technology applicable to the BioScience business, which impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income	Diluted EPS
<b>GAAP</b>	<b>\$2,451</b>	<b>\$437</b>	<b>\$2,014</b>	<b>\$3.16</b>
COLLEAGUE infusion pump charges (A)	125	15	110	0.17
Impairment charge	31	12	19	0.03
IPR&D charges (B)	19	7	12	0.02
<b>Excluding specified items</b>	<b>\$2,626</b>	<b>\$471</b>	<b>\$2,155</b>	<b>\$3.38</b>
<b>Effective tax rate</b>		<b>17.9%</b>		

(A) Included in the Cost of Goods Sold line within the accompanying consolidated statement of income. Excluding this item, adjusted gross profit was \$6.26 billion and the adjusted gross profit percentage was 50.7%.

(B) Included in the R&D Expenses line within the accompanying consolidated statement of income. Excluding these items, adjusted R&D expenses were \$849 million, or 6.9% of net sales, which represented a 19.6% increase over 2007 adjusted R&D expenses of \$710 million.

**2007 description of adjustments and reconciliation of GAAP to Non-GAAP**

The company's GAAP results for the twelve months ended December 31, 2007 included a restructuring charge, a charge related to the company's AWP litigation and IPR&D charges. These charges impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income	Diluted EPS
<b>GAAP</b>	<b>\$2,114</b>	<b>\$407</b>	<b>\$1,707</b>	<b>\$2.61</b>
Restructuring charge	70	24	46	0.07
Litigation-related charge (C)	56	22	34	0.05
IPR&D charges (D)	50	11	39	0.06
<b>Excluding specified items</b>	<b>\$2,290</b>	<b>\$464</b>	<b>\$1,826</b>	<b>\$2.79</b>
<b>Effective tax rate</b>		<b>20.3%</b>		

(C) Included in the Marketing and Administrative Expenses line within the accompanying consolidated statement of income. Excluding this charge, adjusted marketing and administrative expenses were \$2.47 billion, or 21.9% of net sales.

(D) Included in the R&D Expenses line within the accompanying consolidated statement of income. Excluding these charges, adjusted R&D expenses were \$710 million, or 6.3% of net sales.