

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Twelve Months Ended December, 2009 and 2008
(unaudited)
(in millions, except per share and percentage data)

	Twelve Months Ended December 31,		Change
	2009	2008	
NET SALES	\$12,562	\$12,348	2%
COST OF SALES	6,037 ^{A, B}	6,218 ^A	(3%)
GROSS MARGIN	6,525	6,130	6%
<i>% of Net Sales</i>	<i>51.9%</i>	49.6%	<i>2.3 pts</i>
MARKETING AND ADMINISTRATIVE EXPENSES	2,731 ^B	2,698	1%
<i>% of Net Sales</i>	<i>21.7%</i>	21.8%	<i>(0.1 pt)</i>
RESEARCH AND DEVELOPMENT EXPENSES	917	868 ^C	6%
<i>% of Net Sales</i>	<i>7.3%</i>	7.0%	<i>0.3 pts</i>
NET INTEREST EXPENSE	98	76	29%
OTHER EXPENSE, NET	45 ^D	26 ^D	73%
PRE-TAX INCOME	2,734	2,462	11%
INCOME TAX EXPENSE	519	437 ^E	19%
<i>% of Pre-Tax Income</i>	<i>19.0%</i>	17.7%	<i>1.3 pts</i>
NET INCOME	2,215	2,025	9%
LESS: NONCONTROLLING INTERESTS	10	11	(9%)
NET INCOME ATTRIBUTABLE TO BAXTER	\$2,205	\$2,014	9%
BASIC EPS	\$3.63	\$3.22	13%
DILUTED EPS	\$3.59	\$3.16	14%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	607	625	
Diluted	614	637	
ADJUSTED PRE-TAX INCOME (excluding specified items)	\$2,894 ^F	\$2,637 ^F	10%
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER (excluding specified items)	\$2,330 ^F	\$2,155 ^F	8%
ADJUSTED DILUTED EPS (excluding specified items)	\$3.80 ^F	\$3.38 ^F	12%

^A Cost of sales in 2009 included a charge of \$27 million (\$22 million on an after-tax basis, or \$0.04 per diluted share) primarily related to planned retirement costs associated with the SYNDEO PCA Syringe Pump. Cost of sales in 2008 included charges totaling \$125 million (\$110 million on an after-tax basis, or \$0.17 per diluted share) related to COLLEAGUE infusion pumps.

^B A charge was taken in 2009 of \$79 million (\$56 million on an after-tax basis, or \$0.09 per diluted share), which primarily related to cost optimization efforts. The charge impacted cost of sales and marketing and administrative expenses by \$30 million and \$49 million, respectively.

^C R&D expenses in 2008 included IPR&D charges of \$19 million (\$12 million on an after-tax basis, or \$0.02 per diluted share).

^D Other expense, net in 2009 included an impairment charge of \$54 million (\$47 million on an after-tax basis, or \$0.08 per diluted share) associated with the discontinuation of the company's SOLOMIX drug delivery system in development. Other expense, net in 2008 included an impairment charge of \$31 million (\$19 million on an after-tax basis, or \$0.03 per diluted share) associated with the discontinuation of the CLEARSHOT pre-filled syringe program.

^E Income tax expense in 2008 included a net benefit of \$23 million, or \$0.04 per diluted share, related primarily to the reversal of a valuation allowance and the extension of R&D tax credits in the United States, partially offset by tax expense associated with foreign earnings that the company planned to repatriate to the United States.

^F Refer to page 11 for a description of the adjustments and a reconciliation of GAAP measures.

Note: The consolidated statements of income reflect the January 1, 2009 adoption of a new accounting standard that requires a company to present a consolidated net income measure that includes the amount attributable to noncontrolling interests (historically referred to as minority interests) for all periods presented. Prior to January 1, 2009, the noncontrolling interests' share of net income was included in other expense, net.