

BAXTER INTERNATIONAL INC.
Notes to Consolidated Statements of Income
Twelve Months Ended December 31, 2009 and 2008
Description of Adjustments and Reconciliation of GAAP to Non-GAAP Measures
(unaudited)
(in millions, except per share and percentage data)

2009 description of adjustments and reconciliation of GAAP to Non-GAAP

The company's GAAP results for the twelve months ended December 31, 2009 included a cost optimization charge, an impairment charge associated with the discontinuation of the company's SOLOMIX drug delivery system in development and a charge primarily related to planned retirement costs associated with the SYNDEO PCA Syringe Pump, which impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income Attributable to Baxter	Diluted EPS
GAAP	\$2,734	\$519	\$2,205	\$3.59
Cost optimization charge ^{1, 2}	79	23	56	0.09
Impairment charge	54	7	47	0.08
Infusion pump charge ¹	27	5	22	0.04
Excluding specified items	\$2,894	\$554	\$2,330	\$3.80

Effective tax rate

19.1%

¹ The infusion pump charge and \$30 million of the cost optimization charge were included in the cost of sales line within the accompanying statement of income. Excluding these items, adjusted gross margin and the adjusted gross margin percentage were \$6.58 billion and 52.4%, respectively.

² Of the charge, \$49 million was included in the marketing and administrative expenses line within the accompanying consolidated statements of income. Excluding this item, adjusted marketing and administrative expenses were \$2.68 billion, or 21.4% of net sales.

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, which impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income Attributable to Baxter	Diluted EPS
GAAP	\$2,462	\$437	\$2,014	\$3.16
Infusion pump charges ¹	125	15	110	0.17
Impairment charge	31	12	19	0.03
IPR&D charges ²	19	7	12	0.02
Excluding specified items	\$2,637	\$471	\$2,155	\$3.38

Effective tax rate

17.9%

¹ Included in the cost of sales line within the accompanying consolidated statements of income. Excluding this item, adjusted gross margin was \$6.26 billion and the adjusted gross margin percentage was 50.7%.

² Included in the R&D expenses line within the accompanying consolidated statements of income. Excluding this item, adjusted R&D expenses were \$849 million, or 6.9% of net sales.

For more information on the company's use of non-GAAP financial measures in this press release, please see the company's Current Report on Form 8-K filed with the Securities and Exchange Commission on the date of this press release.