

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Three Months Ended March 31, 2010 and 2009
(unaudited)
(in millions, except per share and percentage data)

	Three Months Ended March 31,		Change
	2010	2009	
NET SALES	\$3,140	\$2,824	11%
COST OF SALES	1,509	1,336	13%
GROSS MARGIN	1,631	1,488	10%
<i>% of Net Sales</i>	<i>51.9%</i>	<i>52.7%</i>	<i>(0.8 pts)</i>
MARKETING AND ADMINISTRATIVE EXPENSES	683	611	12%
<i>% of Net Sales</i>	<i>21.8%</i>	<i>21.6%</i>	<i>0.2 pts</i>
RESEARCH AND DEVELOPMENT EXPENSES	227	212	7%
<i>% of Net Sales</i>	<i>7.2%</i>	<i>7.5%</i>	<i>(0.3 pts)</i>
NET INTEREST EXPENSE	19	26	(27%)
OTHER EXPENSE, NET	2	2	0%
PRE-TAX INCOME	700	637	10%
INCOME TAX EXPENSE	172 ^A	119	45%
<i>% of Pre-Tax Income</i>	<i>24.6%</i>	<i>18.7%</i>	<i>5.9 pts</i>
NET INCOME	528	518	2%
LESS: NONCONTROLLING INTERESTS	3	2	50%
NET INCOME ATTRIBUTABLE TO BAXTER	\$525	\$516	2%
BASIC EPS	\$0.87	\$0.84	4%
DILUTED EPS	\$0.86	\$0.83	4%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	602	613	
Diluted	609	621	
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER (excluding specified item)	\$564 ^B	\$516	9%
ADJUSTED DILUTED EPS (excluding specified item)	\$0.93 ^B	\$0.83	12%

^A Income tax expense in 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.

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