

**BAXTER INTERNATIONAL INC.**  
**Consolidated Statements of Income**  
**Three Months Ended June 30, 2010 and 2009**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

	Three Months Ended June 30,		Change
	2010	2009	
NET SALES	\$3,194	\$3,123	2%
COST OF SALES	1,556	1,485	5%
<b>GROSS MARGIN</b>	<b>1,638</b>	<b>1,638</b>	<b>0%</b>
<i>% of Net Sales</i>	<i>51.3%</i>	<i>52.4%</i>	<i>(1.1 pts)</i>
MARKETING AND ADMINISTRATIVE EXPENSES	721 <sup>A</sup>	660	9%
<i>% of Net Sales</i>	<i>22.6%</i>	<i>21.1%</i>	<i>1.5 pts</i>
RESEARCH AND DEVELOPMENT EXPENSES	219	231	(5%)
<i>% of Net Sales</i>	<i>6.9%</i>	<i>7.4%</i>	<i>(0.5 pts)</i>
NET INTEREST EXPENSE	25	24	4%
OTHER EXPENSE (INCOME), NET	3	(1)	N/M
<b>PRE-TAX INCOME</b>	<b>670</b>	<b>724</b>	<b>(7%)</b>
INCOME TAX EXPENSE	133	135	(1%)
<i>% of Pre-Tax Income</i>	<i>19.9%</i>	<i>18.6%</i>	<i>1.3 pts</i>
<b>NET INCOME</b>	<b>537</b>	<b>589</b>	<b>(9%)</b>
LESS: NONCONTROLLING INTERESTS	2	2	0%
<b>NET INCOME ATTRIBUTABLE TO BAXTER</b>	<b>\$535</b>	<b>\$587</b>	<b>(9%)</b>
<b>BASIC EPS</b>	<b>\$0.90</b>	<b>\$0.97</b>	<b>(7%)</b>
<b>DILUTED EPS</b>	<b>\$0.90</b>	<b>\$0.96</b>	<b>(6%)</b>
<b>WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
Basic	593	607	
Diluted	596	612	
ADJUSTED PRE-TAX INCOME (excluding specified item)	\$698 <sup>B</sup>	\$724	
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER (excluding specified item)	\$557 <sup>B</sup>	\$587	
ADJUSTED DILUTED EPS (excluding specified item)	\$0.93 <sup>B</sup>	\$0.96	

<sup>A</sup> Marketing and administrative expenses in 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.

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