

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

	Six Months Ended June 30,		Change
	2010	2009	
NET SALES	\$6,121 ^A	\$5,947	3%
COST OF SALES	3,440 ^A	2,821	22%
GROSS MARGIN	2,681	3,126	(14%)
<i>% of Net Sales</i>	43.8%	52.6%	(8.8 pts)
MARKETING AND ADMINISTRATIVE EXPENSES	1,404 ^B	1,271	10%
<i>% of Net Sales</i>	22.9%	21.4%	1.5 pts
RESEARCH AND DEVELOPMENT EXPENSES	446	443	1%
<i>% of Net Sales</i>	7.3%	7.4%	(0.1 pt)
NET INTEREST EXPENSE	44	50	(12%)
OTHER EXPENSE, NET	5	1	N/M
PRE-TAX INCOME	782	1,361	(43%)
INCOME TAX EXPENSE	305 ^C	254	20%
<i>% of Pre-Tax Income</i>	39.0%	18.7%	20.3 pts
NET INCOME	477	1,107	(57%)
LESS: NONCONTROLLING INTERESTS	5	4	25%
NET INCOME ATTRIBUTABLE TO BAXTER	\$472	\$1,103	(57%)
BASIC EPS	\$0.79	\$1.81	(56%)
DILUTED EPS	\$0.78	\$1.79	(56%)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	597	610	
Diluted	602	616	
ADJUSTED PRE-TAX INCOME (excluding specified items)	\$1,398 ^D	\$1,361	
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER (excluding specified items)	\$1,121 ^D	\$1,103	
ADJUSTED DILUTED EPS (excluding specified items)	\$1.86 ^D	\$1.79	

^A A charge was taken in the first quarter of 2010 of \$588 million, or \$0.98 per diluted share, which related to the recall of COLLEAGUE infusion pumps from the U.S. market and other actions the company intends to undertake outside of the United States, for which there was no net tax benefit recognized. The charge impacted net sales and cost of sales by \$213 million and \$375 million, respectively.

^B Marketing and administrative expenses in the second quarter of 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.

^C Income tax expense in the first quarter of 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.

^D Refer to page 10 for a description of the adjustments and a reconciliation to GAAP measures.