

**BAXTER INTERNATIONAL INC.**  
**Note to Consolidated Statements of Income**  
**Three Months Ended June 30, 2010 and 2009**  
**Description of Adjustment and Reconciliation of GAAP to Non-GAAP Measures**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

The company's GAAP results for the three months ended June 30, 2010 included a charge related to the write-down of accounts receivable in Greece, which impacted the GAAP results as follows:

	Three Months Ended June 30,			2009	Change <sup>C</sup>
	2010	Greece receivable charge <sup>A</sup>	Excluding specified item		
<b>NET SALES</b>	<b>\$3,194</b>	\$ -	<b>\$3,194</b>	\$3,123	2%
<b>COST OF SALES</b>	<b>1,556</b>	-	<b>1,556</b>	1,485	5%
<b>GROSS MARGIN</b>	<b>1,638</b>	-	<b>1,638</b>	1,638	0%
<i>% of Net Sales</i>	<i>51.3%</i>		<i>51.3%</i>	<i>52.4%</i>	<i>(1.1 pts)</i>
<b>MARKETING AND ADMINISTRATIVE EXPENSES</b>	<b>721</b>	(28)	<b>693</b>	660	5%
<i>% of Net Sales</i>	<i>22.6%</i>		<i>21.7%</i>	<i>21.1%</i>	<i>0.6 pts</i>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	<b>219</b>	-	<b>219</b>	231	(5%)
<i>% of Net Sales</i>	<i>6.9%</i>		<i>6.9%</i>	<i>7.4%</i>	<i>(0.5 pts)</i>
<b>NET INTEREST EXPENSE</b>	<b>25</b>	-	<b>25</b>	24	4%
<b>OTHER EXPENSE (INCOME), NET</b>	<b>3</b>	-	<b>3</b>	(1)	N/M
<b>PRE-TAX INCOME</b>	<b>670</b>	28	<b>698</b>	724	(4%)
<b>INCOME TAX EXPENSE</b>	<b>133</b>	6	<b>139</b>	135	3%
<i>% of Pre-Tax Income</i>	<i>19.9%</i>		<i>19.9%</i>	<i>18.6%</i>	<i>1.3 pts</i>
<b>NET INCOME</b>	<b>537</b>	22	<b>559</b>	589	(5%)
<b>LESS: NONCONTROLLING INTERESTS</b>	<b>2</b>	-	<b>2</b>	2	0%
<b>NET INCOME ATTRIBUTABLE TO BAXTER</b>	<b>\$535</b>	\$22	<b>\$557</b>	\$587	(5%)
<b>BASIC EPS</b>	<b>\$0.90</b>	\$0.04	<b>\$0.94</b>	\$0.97	(3%)
<b>DILUTED EPS</b>	<b>\$0.90</b>	\$0.03	<b>\$0.93</b>	\$0.96	(3%)
<b>WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>					
<b>Basic</b>	<b>593</b>		<b>593</b>	607	
<b>Diluted</b>	<b>596</b>		<b>596</b>	612	

<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> There were no specified items included in the 2009 GAAP results.

<sup>C</sup> Represents the percentage change between the 2010 results excluding specified item and the 2009 GAAP results.

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.