

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

The company's GAAP results for the six months ended June 30, 2010 included a charge 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, a tax charge related to the write-off of 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, and a charge related to the write-down of accounts receivable in Greece. These charges impacted the GAAP results as follows:

	Six Months Ended June 30,					2009	
	GAAP	COLLEAGUE infusion pump charge ^A	Deferred tax write-off ^B	Greece receivable charge ^C	Excluding specified items	GAAP ^D	Change ^E
NET SALES	\$6,121	\$213	\$ -	\$ -	\$6,334	\$5,947	7%
COST OF SALES	3,440	(375)	-	-	3,065	2,821	9%
GROSS MARGIN	2,681	588	-	-	3,269	3,126	5%
<i>% of Net Sales</i>	<i>43.8%</i>				<i>51.6%</i>	52.6%	<i>(1.0 pt)</i>
MARKETING AND ADMINISTRATIVE EXPENSES	1,404	-	-	(28)	1,376	1,271	8%
<i>% of Net Sales</i>	<i>22.9%</i>				<i>21.7%</i>	21.4%	<i>0.3 pts</i>
RESEARCH AND DEVELOPMENT EXPENSES	446	-	-	-	446	443	1%
<i>% of Net Sales</i>	<i>7.3%</i>				<i>7.0%</i>	7.4%	<i>(0.4 pts)</i>
NET INTEREST EXPENSE	44	-	-	-	44	50	(12%)
OTHER EXPENSE, NET	5	-	-	-	5	1	N/M
PRE-TAX INCOME	782	588	-	28	1,398	1,361	3%
INCOME TAX EXPENSE	305	-	(39)	6	272	254	7%
<i>% of Pre-Tax Income</i>	<i>39.0%</i>				<i>19.5%</i>	18.7%	<i>0.8 pts</i>
NET INCOME	477	588	39	22	1,126	1,107	2%
LESS: NONCONTROLLING INTERESTS	5	-	-	-	5	4	25%
NET INCOME ATTRIBUTABLE TO BAXTER	\$472	\$588	\$39	\$22	\$1,121	\$1,103	2%
BASIC EPS	\$0.79	\$0.98	\$0.07	\$0.04	\$1.88	\$1.81	4%
DILUTED EPS	\$0.78	\$0.98	\$0.07	\$0.03	\$1.86	\$1.79	4%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING							
Basic	597				597	610	
Diluted	602				602	616	

^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 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.

^C 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.

^D There were no specified items included in the 2009 GAAP results.

^E Represents the percentage change between the 2010 results excluding specified items 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.