

BAXTER INTERNATIONAL INC.
Note to Consolidated Statements of Income
Six Months Ended June 30, 2011 and 2010
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 specified items which impacted the GAAP results as follows:

	Six Months Ended June 30,				Change ³
	2011	2010			
	GAAP ¹	GAAP	Total specified items ²	Excluding specified items	
NET SALES	\$6,820	\$6,121	\$ 213	\$6,334	8%
COST OF SALES	3,310	3,440	(375)	3,065	8%
GROSS MARGIN	3,510	2,681	588	3,269	7%
<i>% of Net Sales</i>	<i>51.5%</i>	<i>43.8%</i>		<i>51.6%</i>	<i>(0.1 pt)</i>
MARKETING AND ADMINISTRATIVE EXPENSES	1,481	1,404	(28)	1,376	8%
<i>% of Net Sales</i>	<i>21.7%</i>	<i>22.9%</i>		<i>21.7%</i>	<i>0 pts</i>
RESEARCH AND DEVELOPMENT EXPENSES	453	446	-	446	2%
<i>% of Net Sales</i>	<i>6.6%</i>	<i>7.3%</i>		<i>7.0%</i>	<i>(0.4 pts)</i>
NET INTEREST EXPENSE	25	44	-	44	(43%)
OTHER EXPENSE, NET	17	5	-	5	N/M
PRE-TAX INCOME	1,534	782	616	1,398	10%
INCOME TAX EXPENSE	328	305	(33)	272	21%
<i>% of Pre-Tax Income</i>	<i>21.4%</i>	<i>39.0%</i>		<i>19.5%</i>	<i>1.9 pts</i>
NET INCOME	1,206	477	649	1,126	7%
LESS: NONCONTROLLING INTERESTS	21	5	-	5	N/M
NET INCOME ATTRIBUTABLE TO BAXTER	\$1,185	\$472	\$649	\$1,121	6%
BASIC EPS	\$2.07	\$0.79	\$1.09	\$1.88	10%
DILUTED EPS	\$2.05	\$0.78	\$1.08	\$1.86	10%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING					
Basic	573	597		597	
Diluted	578	602		602	

¹ There were no specified items included in the 2011 GAAP results.

² Net sales and cost of sales in the first quarter of 2010 included a charge totaling \$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 is undertaking outside of the United States, for which there was no net tax benefit recognized. 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. 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.

³ Represents the percentage change between the 2011 GAAP results and the 2010 results excluding specified items.

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.