

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Three Months Ended March 31, 2015 and 2014
(unaudited)
(in millions, except per share and percentage data)

	Three Months Ended March 31,		Change
	2015	2014	
NET SALES	\$3,764	\$3,848	(2%)
COST OF SALES	1,963	1,957	0%
GROSS MARGIN	1,801	1,891	(5%)
<i>% of Net Sales</i>	<i>47.8%</i>	<i>49.1%</i>	<i>(1.3 pts)</i>
MARKETING AND ADMINISTRATIVE EXPENSES	1,015	910	12%
<i>% of Net Sales</i>	<i>27.0%</i>	<i>23.6%</i>	<i>3.4 pts</i>
RESEARCH AND DEVELOPMENT EXPENSES	300	309	(3%)
<i>% of Net Sales</i>	<i>8.0%</i>	<i>8.0%</i>	<i>0 pts</i>
NET INTEREST EXPENSE	30	43	(30%)
OTHER INCOME, NET	(74)	(24)	N/M
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	530	653	(19%)
INCOME TAX EXPENSE	110	146	(25%)
<i>% of Income from Continuing Operations before Income Taxes</i>	<i>20.8%</i>	<i>22.4%</i>	<i>(1.6 pts)</i>
INCOME FROM CONTINUING OPERATIONS	420	507	(17%)
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX ^A	10	49	(80%)
NET INCOME	\$430	\$556	(23%)
INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE			
Basic	\$0.77	\$0.93	(17%)
Diluted	\$0.76	\$0.92	(17%)
INCOME FROM DISCONTINUED OPERATIONS PER COMMON SHARE			
Basic	\$0.02	\$0.09	(78%)
Diluted	\$0.02	\$0.09	(78%)
NET INCOME PER COMMON SHARE			
Basic	\$0.79	\$1.02	(23%)
Diluted	\$0.78	\$1.01	(23%)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	543	542	
Diluted	548	548	
ADJUSTED PRE-TAX INCOME FROM CONTINUING OPERATIONS (excluding special items)	\$702 ^B	\$765 ^B	(8%)
ADJUSTED INCOME FROM CONTINUING OPERATIONS (excluding special items)	\$549 ^B	\$595 ^B	(8%)
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS (excluding special items)	\$1.00 ^B	\$1.09 ^B	(8%)

^A Operating results from the company's vaccines franchise are classified as discontinued operations for all periods presented.

^B Refer to page 8 for a description of the adjustments and a reconciliation to generally accepted accounting principles (GAAP) measures.

BAXTER INTERNATIONAL INC.
Note to Consolidated Statements of Income
Three Months Ended March 31, 2015 and 2014
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 three months ended March 31, 2015 and 2014 included special items which impacted the GAAP measures as follows:

	Three Months Ended March 31,		Change
	2015	2014	
Gross Margin	\$1,801	\$1,891	(5%)
Intangible asset amortization expense ¹	48	43	
Business optimization items ²	(7)	4	
Separation-related costs ³	1	-	
Adjusted Gross Margin	\$1,843	\$1,938	(5%)
% of Net Sales	49.0%	50.4%	(1.4 pts)
Marketing and Administrative Expenses	\$1,015	\$910	12%
Gambro acquisition and integration items ⁴	(18)	(17)	
Tax and legal items ⁵	-	10	
Business optimization items ²	(2)	(10)	
Separation-related costs ³	(108)	-	
Adjusted Marketing and Administrative Expenses	\$887	\$893	(1%)
% of Net Sales	23.6%	23.2%	0.4 pts
Research and Development Expenses	\$300	\$309	(3%)
Business development items ⁶	-	(25)	
Business optimization items ²	6	(6)	
Separation-related costs ³	(8)	-	
Adjusted Research and Development Expenses	\$298	\$278	7%
% of Net Sales	7.9%	7.2%	0.7 pts
Other Income, Net	\$(74)	\$(24)	N/M
Gambro acquisition and integration items ⁴	-	(17)	
Adjusted Other Income, Net	\$(74)	\$(41)	N/M
Pre-Tax Income from Continuing Operations	\$530	\$653	(19%)
Impact of special items	172	112	
Adjusted Pre-Tax Income from Continuing Operations	\$702	\$765	(8%)
Income Tax Expense	\$110	\$146	(25%)
Impact of special items	43	24	
Adjusted Income Tax Expense	\$153	\$170	(10%)
% of Adjusted Pre-Tax Income from Continuing Operations	21.8%	22.2%	(0.4 pts)
Income from Continuing Operations	\$420	\$507	(17%)
Impact of special items	129	88	
Adjusted Income from Continuing Operations	\$549	\$595	(8%)
Adjusted Income from Discontinued Operations	1	57	
Adjusted Net Income	\$550	\$652	(16%)
Diluted EPS from Continuing Operations	\$0.76	\$0.92	(17%)
Impact of special items	0.24	0.17	
Adjusted Diluted EPS from Continuing Operations	\$1.00	\$1.09	(8%)
Adjusted Diluted EPS from Discontinued Operations	0.00	0.10	
Adjusted Diluted EPS	\$1.00	\$1.19	(16%)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Diluted	548	548	

¹ The company's results in 2015 and 2014 included intangible asset amortization expense of \$48 million (\$38 million, or \$0.07 per diluted share, on an after-tax basis) and \$43 million (\$34 million, or \$0.06 per diluted share, on an after-tax basis), respectively.

² The company's results in 2015 included a net benefit of \$11 million (\$8 million, or \$0.01 per diluted share, on an after-tax basis) related to adjustments of \$29 million to previous business optimization reserves that are no longer probable of being utilized, partially offset by additional business optimization charges of \$18 million. The company's results in 2014 included business optimization charges of \$20 million (\$13 million, or \$0.03 per diluted share, on an after-tax basis), which includes Gambro AB (Gambro) post-acquisition restructuring activities.

³ The company's results in 2015 included separation-related costs of \$117 million (\$87 million, or \$0.16 per diluted share, on an after-tax basis) for the planned separation of Baxter's biopharmaceutical and medical products businesses.

⁴ The company's results in 2015 included total charges of \$18 million (\$12 million, or \$0.02 per diluted share, on an after-tax basis) primarily related to the integration of Gambro. The company's results in 2014 included total charges of \$34 million (\$26 million, or \$0.05 per diluted share, on an after-tax basis) primarily related to the integration of Gambro, including the loss on the regulator-mandated divestiture of Baxter's legacy Continuous Renal Replacement Therapy business.

⁵ The company's results in 2014 included the reversal of prior litigation reserves of \$10 million (\$7 million, or \$0.01 per diluted share, on an after-tax basis).

⁶ The company's results in 2014 included total charges of \$25 million (\$22 million, or \$0.04 per diluted share, on an after-tax basis) related to certain milestone payments associated with the company's collaboration arrangements.

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.

BAXTER INTERNATIONAL INC.
Net Sales
Periods Ending March 31, 2015 and 2014
(unaudited)
(\$ in millions)

	Q1 2015	Q1 2014	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience ¹				
United States	\$755	\$706	7%	7%
International	606	623	(3%)	10%
Total BioScience	\$1,361	\$1,329	2%	8%
Medical Products ¹				
United States	\$945	\$935	1%	1%
International	1,458	1,584	(8%)	3%
Total Medical Products	\$2,403	\$2,519	(5%)	2%
Baxter International Inc.				
United States	\$1,700	\$1,641	4%	4%
International	2,064	2,207	(6%)	5%
Total Baxter	\$3,764	\$3,848	(2%)	4%

¹ As a result of the planned spin-off of the biopharmaceuticals business, the company realigned its biosurgery products and services to the Medical Products segment. Effective January 1, 2015, the company changed its segment presentation to reflect this new structure, and recast all prior periods presented to conform to the new presentation.

BAXTER INTERNATIONAL INC.
Sales by Franchise ¹
Periods Ending March 31, 2015 and 2014
(unaudited)
(\$ in millions)

	Q1 2015	Q1 2014	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience				
Hemophilia ²	\$641	\$675	(5%)	2%
Immunoglobulin Therapies ³	420	398	6%	9%
Inhibitor Therapies ⁴	166	152	9%	18%
BioTherapeutics ⁵	134	104	29%	36%
Total BioScience	\$1,361	\$1,329	2%	8%
Medical Products				
Renal ⁶	\$913	\$991	(8%)	1%
Fluid Systems ⁷	493	504	(2%)	3%
Integrated Pharmacy Solutions ⁸	564	592	(5%)	1%
Surgical Care ⁹	322	322	0%	5%
Other ¹⁰	111	110	1%	6%
Total Medical Products	\$2,403	\$2,519	(5%)	2%
Total Baxter	\$3,764	\$3,848	(2%)	4%

¹ Effective January 1, 2015, Baxter has transitioned to a new commercial franchise structure for reporting net sales. Prior period net sales have been recast to reflect the new commercial franchise structure. See Notes 2 - 10 below for a description of each commercial franchise.

² Includes sales of the company's recombinant and plasma-derived hemophilia products (primarily factor VIII and factor IX).

³ Includes sales of the company's antibody-replacement immunoglobulin therapies.

⁴ Includes sales of the company's products to treat patients with congenital hemophilia A or B who have developed inhibitors as well as patients that have developed acquired hemophilia A due to an inhibitor.

⁵ Includes sales of the company's plasma-based therapies to treat alpha-1 antitrypsin deficiency, burns and shock, and other chronic and acute blood-related conditions.

⁶ Includes sales of the company's peritoneal dialysis, hemodialysis and continuous renal replacement therapies.

⁷ Includes sales of the company's IV therapies, infusion pumps and administration sets.

⁸ Includes sales of the company's premixed and oncology drug platforms, nutrition products and pharmacy compounding services.

⁹ Includes sales of the company's anesthesia products as well as biological products and medical devices used in surgical procedures for hemostasis, tissue sealing and adhesion prevention. Sales of the company's biosurgery products and services, previously reported as a separate franchise in the BioScience segment, have been realigned to the Medical Products segment. Refer to page 9 for additional details.

¹⁰ Includes sales primarily from the company's pharmaceutical partnering business.

BAXTER INTERNATIONAL INC.
Franchise Sales by U.S. and International ¹
Periods Ending March 31, 2015 and 2014
(unaudited)
(\$ in millions)

	Q1 2015			Q1 2014			% Growth		
	U.S.	International	Total	U.S.	International	Total	U.S.	International	Total
BioScience									
Hemophilia	\$305	\$336	\$641	\$297	\$378	\$675	3%	(11%)	(5%)
Immunoglobulin Therapies	328	92	420	307	91	398	7%	1%	6%
Inhibitor Therapies	63	103	166	44	108	152	43%	(5%)	9%
BioTherapeutics	59	75	134	58	46	104	2%	63%	29%
Total BioScience	\$755	\$606	\$1,361	\$706	\$623	\$1,329	7%	(3%)	2%
Medical Products									
Renal	\$186	\$727	\$913	\$180	\$811	\$991	3%	(10%)	(8%)
Fluid Systems	232	261	493	215	289	504	8%	(10%)	(2%)
Integrated Pharmacy Solutions	270	294	564	284	308	592	(5%)	(5%)	(5%)
Surgical Care	186	136	322	182	140	322	2%	(3%)	0%
Other	71	40	111	74	36	110	(4%)	11%	1%
Total Medical Products	\$945	\$1,458	\$2,403	\$935	\$1,584	\$2,519	1%	(8%)	(5%)
Total Baxter	\$1,700	\$2,064	\$3,764	\$1,641	\$2,207	\$3,848	4%	(6%)	(2%)

¹ Effective January 1, 2015, Baxter has transitioned to a new commercial franchise structure for reporting net sales. Prior period net sales have been recast to reflect the new commercial franchise structure. Refer to page 10 for additional details.