

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Three Months Ended June 30, 2014 and 2013
(unaudited)
(in millions, except per share and percentage data)

| | Three Months Ended June 30, | | Change |
|---|--------------------------------|---------------------|------------------|
| | 2014 | 2013 | |
| NET SALES | \$4,264 | \$3,669 | 16% |
| COST OF SALES | 2,223 | 1,730 | 28% |
| GROSS MARGIN | 2,041 | 1,939 | 5% |
| <i>% of Net Sales</i> | <i>47.9%</i> | <i>52.8%</i> | <i>(4.9 pts)</i> |
| MARKETING AND ADMINISTRATIVE EXPENSES | 998 | 838 | 19% |
| <i>% of Net Sales</i> | <i>23.4%</i> | <i>22.8%</i> | <i>0.6 pts</i> |
| RESEARCH AND DEVELOPMENT EXPENSES | 325 | 273 | 19% |
| <i>% of Net Sales</i> | <i>7.6%</i> | <i>7.4%</i> | <i>0.2 pts</i> |
| NET INTEREST EXPENSE | 42 | 17 | N/M |
| OTHER EXPENSE, NET | 15 | 68 | N/M |
| PRE-TAX INCOME | 661 | 743 | (11%) |
| INCOME TAX EXPENSE | 141 | 153 | (8%) |
| <i>% of Pre-Tax Income</i> | <i>21.3%</i> | <i>20.6%</i> | <i>0.7 pts</i> |
| NET INCOME | \$520 | \$590 | (12%) |
| BASIC EPS | \$0.96 | \$1.09 | (12%) |
| DILUTED EPS | \$0.95 | \$1.07 | (11%) |
| WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | | | |
| Basic | 542 | 543 | |
| Diluted | 548 | 549 | |
| ADJUSTED PRE-TAX INCOME (excluding special items) | \$885 ^A | \$844 ^A | 5% |
| ADJUSTED NET INCOME (excluding special items) | \$692 ^A | \$659 ^A | 5% |
| ADJUSTED DILUTED EPS (excluding special items) | \$1.26 ^A | \$1.20 ^A | 5% |

^A Refer to page 9 for a description of the adjustments and a reconciliation to generally accepted accounting principles (GAAP) measures.